(24,864)

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1916.

No. 210.

E. I. DU PONT DE NEMOURS POWDER COMPANY AND DU PONT FABRIKOID COMPANY, PETITIONERS,

vs.

WALTER E. MASLAND ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

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a TRANSCRIPT OF RECORD.

In the United States Circuit Court of Appeals for the Third Circuit, March Sessions, 1915.

No. 1954.

WALTER E. MASLAND et al., Appellants,
vs.
E. I. DU PONT DE NEMOURS POWDER COMPANY et al., Appellees.

Appeal from the District Court of the United States for the Eastern District of Pennsylvania.

1 *Docket Entries.*

In the District Court of the United States, Eastern District of Pennsylvania, June Sess., 1914.

1279.

E. I. DU PONT DE NEMOURS POWDER COMPANY and DU PONT FABRIKOID COMPANY
vs.
WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland.

Prindle, Wright & Small.
C. N. Butler.
G. Q. Horwitz.

1914, July 3. Bill of Complaint filed.
Subpœna issued returnable July 23, 1914.
Affidavits of Hamilton M. Barksdale, Charles L. Reese (2) Fin Sparre, Frederick Kniffen, Wm. H. Button, R. R. M. Carpenter and Exhibits "E" "A" "B" "C" "D" "1907 Bill of Sale" and "A letter to R. R. M. Carpenter" filed.

2 Order fixing time for hearing of Motion for preliminary injunction filed.

" " 8. Printed copy of Bill of Complaint filed.

" " 10. Affidavit of Walter E. Masland on behalf of defendants filed.
Affidavit of Maurice H. Masland, Charles H. Masland, Frank E. Masland and J. Wesley Masland on behalf of defendants filed.

" " 13. Affidavits of Fin Sparre and Frederick Kniffen for plaintiff filed.

" " 15. Argued sur motion for preliminary injunction.
" " 17. Order for the appearance of George Quintard Horwitz, Esquire, for defendant- filed.
Additional affidavit of Walter E. Masland filed.
" " 22. Printed separate answer of Walter E. Masland one of the defendants filed.
" " 24. Printed separate answer of Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland filed.
1914, Aug. 5. Opinion, Dickinson, J., refusing motion for preliminary injunction filed.
" " 11. Subpœna returned "served on July 3, 1914, on Maurice H. Masland and Frank E. Masland, on July 6, 1914, on J. Wesley Masland and
3 Charles W. Masland "service accepted" as to Walter E. Masland and served on Charles H. Masland.
Acceptance of service by Geo. Quintard Horwitz, Esquire, for Walter E. Masland one of the defendants filed.
1914, Sep. 25. Amendment to Bill of Complaint filed.
1914, Oct. 13. Separate answer of Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland some of defendants to amendment to Bill of Complaint filed.
Separate answer of Walter E. Masland one of defendants to amendment to Bill of Complaint filed.
" " 14. Printed copy of separate answer of Charles H. Masland, Maurice H. Masland and others, defendants, to Bill of Complaint filed.
Printed copy of separate answer of Walter E. Masland one of defendants to amendment to Bill of Complaint filed.
1914, Nov. 5. Motion for leave to take deposition de bene esse on behalf of plaintiff-, affidavit and notice filed.
Opinion, Dickinson, J., granting leave to plain-
4 tiff- to take the deposition of Fin Sparre filed.
" " 20. Order on defendant- to show cause why hearing of cause should not be postponed, &c., and affidavit filed.
" " 23. Answer of Walter E. Masland to plaintiffs' Motion for a postponement of hearing of Motion for preliminary injunction and affidavits of Walter E. Masland and George Quintard Horwitz, Esq., filed.
" " 25. Argued sur Motion to postpone hearing of Motion for preliminary injunction, &c.

1915, Feb'y 25. Opinion, Dickinson, J., granting leave to counsel to submit restraining order filed.

1915, M'ch 3. Argued sur Motion for order in accordance with opinion of the Court filed February 25, 1915.

" " 25. Testimony on final hearing taken in open Court.

" " 26. Testimony on final hearing taken in open Court.

Order granting Motion for preliminary injunction filed. Bond to be filed in $1,000.00.

1915, Apr. 7. Argued sur offering of testimony, &c.

Defendants' Motion for vacation of preliminary injunction and affidavits of Walter E. Masland and George Quintard Horwitz in support thereof filed.

Affidavits of Edwin J. Prindle, Fin Sparre, Frederick Kniffen, Harry Haon, Leonard Richards, James Lynch and Harry Brice filed on behalf of plaintiffs.

" " 12. Opinion, Dickinson, J., refusing defendants' Motion to vacate injunction filed.

Stipulation as to time of filing affidavits and counter affidavits sur Motion to dissolve injunction filed.

" " 13. Decree refusing Motion to vacate injunction of March 26-1915.

Petition and order allowing appeal filed.

Assignments of error filed.

Citation allowed and issued.

Citation returned service accepted and filed.

Stipulation of counsel as to transcript of record filed.

" " 16. Affidavits of Frank Smith, Walter E. Masland, Charles R. Walker on behalf of defendants filed.

6 *Bill of Complaint.*

In the District Court of the United States, Eastern District of Pennsylvania, June Sess., 1914.

No. 1279. In Equity.

E. I. Du Pont de Nemours Powder Company and Du Pont Fabrikoid Company, Plaintiffs,

vs.

Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, Defendants.

To Restrain Disclosure and Use of Trade Secrets.

Bill of Complaint.

Filed July 3, 1914.

1. E. I. du Pont de Nemours Powder Company, a corporation of the State of New Jersey, and a citizen of said State, and having its principal office at 51 Newark Street, in the City of Hoboken, County of Hudson, and State of New Jersey, and an office and place of business in the City of Wilmington, County of New Castle, and State of Delaware; and Dupont Fabrikoid Company, a corporation of the State of Delaware, and a citizen of said State, and having its principal office in the City of Wilmington, County of New Castle, and State of Delaware: bring this their bill of complaint against Walter E. Masland, Charles H. Masland, Maurice H.
7 Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, all citizens of the State of Pennsylvania, and residing in the City and County of Philadelphia, in the State of Pennsylvania, within the Eastern District of Pennsylvania.

2. This is a suit in equity between citizens of different States to restrain the disclosure and use of trade secrets, the value of which exceeds, exclusive of interest and costs, the sum of three thousand dollars ($3,000.00), and is brought in the District and State of which all the defendants are residents and inhabitants.

3. E. I. du Pont de Nemours Powder Company, one of the above-named plaintiffs, has been engaged since 1907 in the manufacture of explosives, and in the manufacture of articles utilizing products and by-products therefrom. It maintains and has maintained experimental stations employing technical and other men to invent and discover new and useful processes, apparatuses, articles of manufacture, and compositions of matter, and new and useful improvements thereof, in connection with its said manufactures, some of which it protects by letters patent and others of which it maintains as trade secrets. Among its technical employees was Walter E. Masland, one of the above-named defendants, who entered its employ in 1905,

soon after his graduation from the University of Pennsylvania, and who ceased to be so employed on or about the 13th day of June, 1914. All its employees at its experimental stations, including said Walter E. Masland, were employed with the understanding that all inventions and discoveries used or devised for or in connection with the business or discovered by its employees were its exclusive property and were not to be disclosed to others or utilized in any manner by said employees. These secrets were guarded with the utmost care and every precaution taken to prevent their becoming known. Said

8 Walter E. Masland executed on or about the first day of August, 1905, a contract relating to his employment with E. I. du Pont Company, a corporation of the State of Delaware, the predecessor of said plaintiff, E. I. du Pont de Nemours Powder Company, and from whom said plaintiff purchased its present business together with all rights appertaining thereto.

On or about the first day of August, 1910, said plaintiff, E. I. du Pont de Nemours Powder Company, purchased the business of a concern manufacturing artificial leather and on or about the first day of August, 1913, sold all the assets and property relating thereto to the other of said plaintiffs, du Pont Fabrikoid Company. In the early part of 1912 said Walter E. Masland was placed in charge of experimental work in inventing and discovering new and useful processes, apparatuses, articles of manufacture, and compositions of matter, and new and useful improvements thereof, in connection with said manufacturer of artificial leather, and at that time and at all times subsequent thereto, has had full access by reason of his said connection with said experimental work, to valuable discoveries, inventions, and trade secrets, developed at the manufacturing plant of said plaintiff, the du Pont Fabrikoid Company, and to a limited extent to other laboratories and plants of said plaintiff, E. I. du Pont de Nemours Powder Company. Said Walter E. Masland and his assistants, together with other employees of both said plaintiffs, have brought said experimental work to such a stage that steps are being taken by plaintiffs for the construction of a commercial sized manufacturing unit for utilizing the same. On or about the first day of June, 1914, said Walter E. Masland notified plaintiff, E. I. du Pont de Nemours Powder Company, that it was his intention to resign from its employ and admitted that he was about to engage in the manufacture of artificial leather in his own behalf and with the aid and assistance of the above-named defendants, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, utilizing the inventions, discoveries, and trade secrets of plaintiffs in so doing.

9 Plaintiffs are informed and believe, and therefore aver, that said defendant, Walter E. Masland, with the aid and assistance of the above-named defendants, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, is about to engage in the manufacture of artificial leather, utilizing plaintiffs' secret processes, apparatuses, articles of manufacture, and compositions of matter therein.

And forasmuch as plaintiffs can have no adequate relief save by this Honorable Court, plaintiffs pray as follows:

(*a*) That a writ or writs of injunction be issued, preliminary until the hearing of this cause and permanent thereafter, enjoining said defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, their officers, clerks, attorneys, servants, agents, employees, workmen, and confederates, and each of them, from directly or indirectly making, using, selling or disclosing to anyone or aiding or abetting in such making, using, selling or disclosing, in any manner or by any means, any and all secret processes, apparatuses, articles of manufacture, or compositions of matter, or any new and useful improvements thereof, which have become known to them by reason of the employment of said Walter E. Masland by said plaintiff, and commanding them and each of them todeliver forthwith into the custody of the Clerk of this Court in sealed envelopes, any and all memoranda, drawings, specimens, papers, and articles of any description relating thereto, in their possession or under their control, without making or retaining any copies or duplicates thereof.

(*b*) That said defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, may be decreed to pay the costs of this suit.

(*c*) That plaintiffs may have such other and further relief as the equity of the case may require.

(*d*) To the end, therefore, that said defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland may, if they can, show why plaintiffs should not have the relief prayed for and may full, true, and direct answer make (but not under oath, answer under oath being hereby expressly waived), according to the best and utmost of their knowledge, remembrance and belief, to the several matters hereinbefore averred and set forth as fully and particularly as if the same were repeated, paragraph for paragraph, and the said defendants specifically interrogated, may it please your Honors to grant unto plaintiffs a writ of subpœna ad respondendum, issuing out of and under the seal of this Honorable Court directed to said defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, commanding them and each of them to appear and make answer to this bill of complaint and to perform and abide by such orders and decrees herein as to this Court may seem just.

E. I. DU PONT DE NEMOURS POWDER COMPANY,
By ALEXIS I. DU PONT, *Secretary.* [SEAL.]
DU PONT FABRIKOID COMPANY,
By R. R. M. CARPENTER. [SEAL.]

CHARLES N. BUTLER,
Solicitor for Plaintiff.
EDWIN J. PRINDLE,
WARREN H. SMALL,
Of Counsel.

11 STATE OF DELAWARE,
County of Newcastle:

Alexis I. Du Pont, being duly sworn, deposes and says that he is Secretary of the E. I. du Pont de Nemours Powder Company, one of the above-named plaintiffs; that he has read the foregoing bill of complaint and knows the contents thereof; that the same is true of his own knowledge except as to matters therein stated on information and belief, and as to those matters he believes it to be true.

ALEXIS I. DU PONT.

Sworn to before me this 3rd day of July, 1914.

[SEAL.] P. E. STRICKLAND,
Notary Public.

My Commission expires May 24, 1918.

STATE OF DELAWARE,
County of Newcastle:

R. R. M. Carpenter, being duly sworn, deposes and says that he is President of the Du Pone Fabrikoid Company, one of the above-named plaintiffs; that he has read the foregoing bill of complaint and knows the contents thereof; that the same is true of his own knowledge except as to matters therein stated on information and belief, and as to those matters he believes it to be true.

R. R. M. CARPENTER.

Sworn to before me this 3rd day of July, 1914.

[SEAL.] P. E. STRICKLAND,
Notary Public.

My Commission expires May 24, 1918.

12 *Amendment to Bill of Complaint.*

Filed Sep. 25, 1914.

On page 4 of the printed Bill of Complaint, line 7 from the bottom, change the period after "therein" to a comma and insert the following:

"all to plaintiffs' great and irreparable damage and injury and for which plaintiffs have no adequate remedy at law."

so that said paragraphs as amended will read as follows:

"Plaintiffs are informed and believe, and therefore aver, that said defendant, Walter E. Masland, with the aid and assistance of the above-named defendants, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, is about to engage in the manufacture of artificial leather, utilizing plaintiffs' secret processes, apparatuses, articles of manufacture, and

compositions of matter therein, all to plaintiffs' great and irreparable damage and injury for which plaintiffs have no adequate remedy at law."

E. I. DU PONT DE NEMOURS POWDER COMPANY,
By ALEXIS I. DU PONT, *Secretary.* [SEAL.]
DU PONT FABRIKOID COMPANY,
By R. R. M. CARPENTER, *President.* [SEAL.]

CHARLES N. BUTLER,
Solicitor for Plaintiffs.
EDWIN J. PRINDLE,
WARREN H. SMALL,
Of Counsel.

13 STATE OF DELAWARE,
County of Newcastle, ss:

Alexis I. du Pont, being duly sworn, deposes and says that he is Secretary of the E. I. du Pont de Nemours Powder Company, one of the above-named plaintiffs; that he has read the foregoing amendment to the Bill of Complaint and knows the contents thereof; that the same is true of his own knowledge except as to matters therein stated on information and belief, and as to those matters he believes it to be true.

ALEXIS I. DU PONT.

Sworn to before me this 14th day of September, 1914.
[SEAL.] P. E. STRICKLAND,
Notary Public.

My commission expires May 24, 1918.

STATE OF DELAWARE,
County of Newcastle, ss:

R. R. M. Carpenter, being duly sworn, deposes and says that he is President of the Du Pont Fabrikoid Company, one of the above-named plaintiffs; that he has read the foregoing amendment to the Bill of Complaint and knows the contents thereof; that the same is true of his own knowledge except as to matters therein stated on information and belief, and as to those matters he believes it to be true.

R. R. M. CARPENTER.

Sworn to before me this 14th day of September, 1914.
[SEAL.] P. E. STRICKLAND,
Notary Public.

My commission expires May 24, 1918.

14 We hereby consent to the entry of the above amendment to the Bill of Complaint.

WM. BROWN, JR.,
GEORGE QUINTARD HORWITZ,
Solicitors for Defendants.

Dated Sept. 22, 1914.

Separate Answer of Walter E. Masland, One of the Defendants.

Filed July 22, 1914.

To the Honorable the Judges of the said Court:

I, Walter E. Masland, one of the defendants in the above case, for answer to the Bill of Complaint filed therein, or to such part thereof, as I am advised it is material and necessary for me to answer, say:

1. That the facts set forth in the first paragraph are admitted to be true; and, in further answer thereto, I am advised by counsel, and, therefore, aver and state that the Dupont Fabrikoid Company has no interest in this proceeding, and is, therefore, improperly joined as party complainant.

2. That the facts set forth in the second paragraph as to citizenship, are admitted to be true, but regarding the value of the alleged trade secrets this Defendant has no knowledge and demands that proof thereof be made.

3. That it is admitted that the E. I. du Pont de Nemours Powder Company has been engaged since 1907 in the manufacture of explosives, and that it maintains and has maintained Experimental Stations, as set forth in said paragraph.

That it is admitted that I was amongst its technical em-
15 ployees. I deny that I graduated from the University of Pennsylvania, but admit that I entered the employment of the E. I. du Pont de Nemours Powder Company on September 1, 1904, after seven years of study of chemistry, four of which were spent at the University of Pennsylvania, and that I resigned from the said company on or about June 13, 1914. I deny that I was employed with the understanding that all inventions or discoveries used or devised for or in connection with the business of the said E. I. du Pont de Nemours Powder Company, or discovered by me, was the exclusive property and was not to be disclosed to others or utilized in any manner by me. I deny that there was any such agreement with all the employees of the company. I admit that the said company took precautions to guard what they considered secrets, but which in many cases were not. I admit that I executed the contract of August 1, 1905.

I have no knowledge as to whether or not the said company, on or about August 1, 1910, purchased the business of a concern manufacturing artificial leather, and that on or about August 1, 1913, it sold all the assets and properties relating thereto, to the Du Pont Fabrikoid Company. If this be material or relevant, I pray that the same may be properly proved by the plaintiffs. I admit that in the early part of 1912, I was placed in charge of some experimental work in connection with processes, apparati, articles of manufacture and compositions of matter, and new and useful improvements thereof, in connection with the manufacture of artificial leather, which was being conducted by the E. I. du Pont de Nemours Powder Company. I was not employed at any time by the Du Pont Fabrikoid Company. I cannot admit or deny that, at that time and at all times

subsequent thereto, or at any time either before or after, did I have full access, by reason of said connection with said experimental work, to valuable discoveries, inventions or trade secrets, developed
16 at the manufacturing plant of the said Du Pont Fabrikoid Company, for the reason that I never asked to have such access, did not want it and did not require it. I deny that, to a limited extent or to any extent did I have such access to the laboratories and plants of the E. I. du Pont de Nemours Powder Company. I have no knowledge as to whether or not the Plaintiffs are taking steps for the construction of a "commercial sized manufacturing unit," and pray that, if the same be material or relevant, it be proven. I admit that on or about the 1st day of June, 1914, I notified the Plaintiff, the E. I. du Pont de Nemours Powder Company, that it was my intention to resign from its employ. I deny that I admitted that I was about to engage in the manufacture of artificial leather on my own behalf and with the aid and assistance of the other Defendants in this case, utilizing the inventions, discoveries and trade secrets of Plaintiffs in so doing. On the contrary, I aver and state that I informed the Plaintiff, the E. I. du Pont de Nemours Powder Company, that I was about to engage in the manufacture of artificial leather on my own behalf, and that I neither admitted nor denied that I would utilize the alleged discoveries and trade secrets of the Plaintiffs, if there be any, but distinctly stated it was not my intention to use the Plaintiffs' inventions.

I aver and state that it is not my intention, when engaging in the manufacture of artificial leather, to utilize the inventions, discoveries and trade secrets of the Plaintiffs either alone or in conjunction with the other Defendants or any other person or persons, and I specifically deny that I, either alone or with the aid and assistance of the above named Defendants, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, am about to engage in the manufacture of artificial leather, utilizing the Plaintiff's secret processes, apparati, articles of manufacture and compositions of matter therein.

4. In further answer to said Bill, I aver and state that I
17 never had any agreement with the Plaintiffs, or either of them, or with anybody representing them, either written or verbal, or by implication, regarding any confidential relations in connection with the manufacture of artificial leather. It is my intention, unless prohibited by an order of your Honorable Court, to manufacture artificial leather by processes which are common knowledge of artificial leather manufacturers, and, when engaged in this work, it is my intention to use some basic raw materials which, so far as I know are not used and never have been used, by the E. I. du Pont de Nemours Powder Company or the Du Pont Fabrikoid Company, but which are used in some degree and in certain units by competing companies to the E. I. du Pont de Nemours Powder Company. I aver and state and expect to be able to prove upon the trial of this cause that knowledge regarding these materials is common to all artificial leather makers. I have no intention to use or disclose any knowledge obtained by me in any confidential relation,

while in the employ of the E. I. du Pont de Nemours Powder Company, or its predecessor, or when in the employ of any other concern or concerns whatsoever. I include in this my alleged employment by the Du Pont Fabrikoid Company, although I deny that I have ever been employed by it. I further aver and state that many of those things claimed by the Plaintiffs as secret processes and formulæ are well known to the trade. But, of those things belonging to the Plaintiffs, which are covered by invention, or those things which constitute trade secrets or secret processes, and which I may have learned in any confidential relation, I aver and state that it is not, has not been and that it will not be, my intention to either myself use or utilize or to disclose or discover to any other person or persons, individually or corporately, whatsoever.

5. I aver and state and expect to be able to prove upon the
18 trial of this cause, that I was never employed by or had any relations, in any manner, way, shape or form whatsoever, with one of the Plaintiffs, the Du Pont Fabrikoid Company, and I further aver and state that the said Du Pont Fabrikoid Company is improperly joined as a party Plaintiff or Complainant in the Bill in Equity filed, and should be stricken from the record.

6. I deny that there is any financial arrangement or understanding of any kind, sort or description or any other undertaking or agreement between the other Defendants named in this case and myself. One of the Defendants, to wit, Charles H. Masland, is my father, and the other Defendants, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, are my brothers. This is the only relationship amongst us. The said Defendants have been for many years engaged in the business of textile manufacturers in Philadelphia, have had no knowledge of the business of artificial leather manufacturers and have no intention of entering upon said business with me or any one else.

7. I deny that the said Plaintiffs have no adequate remedy at law for the complaints alleged in the Bill filed, and I aver that for every act or contemplated act of myself or the other Defendants, upon and in connection with the said premises, from which any damage might result to the Plaintiffs, they, the said Plaintiffs, have a full, adequate and complete remedy at law. I further aver that no damage or injury of any kind has resulted or can or will result to the said Plaintiffs through any act of mine or of the other said Defendants.

Wherefore, I pray that the Bill filed in this case may be dismissed with costs.

WALTER E. MASLAND.

GEORGE QUINTARD HORWITZ,
Solicitor for Walter E. Masland, Defendant.

7/22/14.

19 STATE OF PENNSYLVANIA,
City and County of Philadelphia, ss:

Walter E. Masland, being duly sworn according to law, deposes and says that he is one of the Defendants in the above entitled case, and that the facts set forth in the above Answer are true and correct.

WALTER E. MASLAND.

Sworn to and subscribed before me this 22nd day of July, A. D. 1914.

[SEAL.] MOLLIE SILVER,
Notary Public.

My comimssion expires March 25th, 1917.

Separate Answer of Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, Some of the Defendants.

Filed July 24, 1914.

To the Honorable the Judges of the said Court:

We, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, some of the above-named defendants, for answer to such part of the Bill of Complaint filed in the above case as we are advised it is material and necessary for us to answer, say:

1. We admit the facts contained in the first paragraph.

2. We have no knowledge regarding the facts contained in the second paragraph, and, if they be material, pray they be proved.

20 3. We have no knowledge regarding the business of the E. I. du Pont de Nemours Powder Company or in what manner it has carried on its business, and no knowledge regarding its Experimental Stations or the persons whom it employs. We admit that Walter E. Masland entered the employ of the E. I. du Pont de Nemours Powder Company in September, 1904, but deny that he graduated from the University of Pennsylvania. We have been told and therefore admit that he resigned from the said employment on or about June 13, 1914. We know nothing regarding the way in which the employees of the said Company, including Walter E. Masland, were employed and pray that if the same be material, it be proven. We have no knowledge regarding the secrets of the said Company, or the way in which they were guarded, and no personal knowledge regarding the contract of Walter E. Masland, executed August first, 1905, although we are willing to admit that there was such a contract. We have no knowledge regarding the purchase by the E. I. du Pont de Nemours Powder Company on August 1, 1910, of a concern manufacturing artificial leather, or what employment was given to Walter E. Masland in the early part of 1912, and pray that, if the same be material, it be proven. We know nothing regarding to what plant or plants, inventions, discoveries or trade

secrets of the said Complainants, the said Walter E. Masland had access, and pray that, if the same be material, it be proven. Upon information and belief, we deny that the said Walter E. Masland on or about the first of July, 1914, admitted that he was about to engage in the manufacture of artificial leather in his own behalf and with our aid and assistance, utilize the inventions, discoveries, and trade secrets of the Plaintiffs. We absolutely, entirely and utterly deny that we or any of us, either with Walter E. Masland or without him are about to engage in the manufacture of artificial leather, utilizing the Plaintiffs' secret processes, apparati, articles of manu-
21 facture and composition and upon information and belief, we deny that the said Walter E. Masland, either with or without our assistance is about to engage in the manufacture of artificial leather, utilizing the Plaintiffs' trade secrets. On the contrary, we aver and state that we have been informed by the said Walter E. Masland that it is his intention to go into the business of manufacturing artificial leather, using the general knowledge of the trade in such matters and not using any secrets, secret processes or trade secrets, apparati, articles of manufacture and composition of matter of which he may have gained knowledge (if he did), while in the employ of the E. I. du Pont de Nemours Powder Company.

4. We deny that there is any agreement or financial understanding of any kind, sort or description between Walter E. Masland and ourselves.

5. I, Charles H. Masland, one of the Defendants, am the father of the said Walter E. Masland, and the others of us are his brothers, and this is the only relationship amongst us. We have been engaged in Philadelphia for many years in the business of textile manufactures. We know nothing regarding the manufacture of artificial leather and have no idea, wish or intention of going into said business either by ourselves or in conjunction and association with Walter E. Masland or any other person or persons. The said Walter E. Masland has made no disclosures to us or any of us regarding any information, confidential or otherwise, concerning the manufacture of artificial leather.

6. We deny that the said Plaintiffs have no adequate remedy at law for the complaints alleged in the Bill filed, and we further aver that, for the act or contemplated act of Walter E. Masland, upon and in connection with the said premises from which any damage might result to the Plaintiffs, they have a full, adequate and complete remedy at law.

22 Wherefore, we pray that the bill filed in this case may be dismissed with costs.

CHARLES H. MASLAND.
MAURICE H. MASLAND.
CHARLES W. MASLAND.
FRANK E. MASLAND.
J. WESLEY MASLAND.

GEORGE QUINTARD HORWITZ,
Solicitor for Defendants.

7/24/14.

CITY AND COUNTY OF PHILADELPHIA, *ss:*

Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland being duly sworn according to law, say that they are some of the Defendants in the above entitled case, and that the facts set forth in the above Answer are true and correct.

CHARLES H. MASLAND.
MAURICE H. MASLAND.
CHARLES W. MASLAND.
FRANK E. MASLAND.
J. WESLEY MASLAND.

Sworn to and subscribed before me this 24th day of July, A. D. 1914.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

23 *Separate Answer of Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, Some of the Defendants, to the Amendment to the Bill of Complaint.*

Filed Oct. 14, 1914.

To the Honorable the Judges of the said Court:

We, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, some of the defendants in the above case, for answer to the Amendment to the Bill of Complaint filed therein, say:

In addition to the answer set forth by us in the Fourth Paragraph of our original Answer in this case, we deny that any action of ours will be to the great and irreparable damage or injury, or any damage or injury, to the said plaintiffs, and we aver and state, as we have heretofore done, that the said plaintiffs have a full, adequate and complete remedy at law.

CHARLES H. MASLAND.
MAURICE H. MASLAND.
FRANK E. MASLAND.
CHAS. W. MASLAND.
J. WESLEY MASLAND.

GEORGE QUINTARD HORWITZ,
Solicitor for Defendants.

CITY AND COUNTY OF PHILADELPHIA, *ss:*

Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, being duly sworn accord-

ing to law, say that they are some of the defendants in the
24 above entitled case, and that the facts set forth in the above Answer are true and correct.

Sworn to and subscribed before me this 9th day of October, A. D. 1914.

[SEAL.] HERMAN F. VOSS,
Notary Public.

Commission expires Jan. 18, 1917.
3163 Frankford Ave., Philadelphia, Pa.

Separate Answer of Walter E. Masland, One of the Defendants, to the Amendment to the Bill of Complaint.

Filed Oct. 14, 1914.

To the Honorable the Judges of the said Court:

I, Walter E. Masland, one of the defendants in the above case, for answer to the Amendment to the Bill of Complaint filed therein, say:

In addition to the answer set forth by me in the Fourth Paragraph of my original Answer in this case, I deny that any action of mine will be to the great and irreparable damage or injury, or of any damage or injury, to the said plaintiffs, and I aver and state, as I have heretofore done, that the said plaintiffs have a full, adequate and complete remedy at law.

GEORGE QUINTARD HORWITZ,
Solicitor for Walter E. Masland, Defendant.

STATE OF PENNSYLVANIA,
City and County of Philadelphia, ss:

Walter E. Masland, being duly sworn according to law, deposes and says that he is one of the Defendants in the above entitled
25 case, and that the facts set forth in the above Answer are true and correct.

WALTER E. MASLAND.

Sworn to and subscribed before me this 9th day of October, A. D. 1914.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

Opinion.

Sur Application for Preliminary Injunction.

Filed Aug. 5, 1914.

DICKINSON, *J.:*

We follow the usual practice in not discussing the merits of the Bill on this motion further than is necessary to make clear the reason for the conclusion we have reached.

The Bill alleges knowledge of secret processes of manufacture necessary to the successful prosecution of the business of plaintiff gained by one of the defendants while in the employ of the plaintiff and maintaining confidential relations with it.

The further averment is that these processes will be disclosed unless such disclosure is prohibited by the Court. The other defendants are alleged to be associated with the plaintiff's former employee in a contemplated business which will involve the use of plaintiff's processes, and a disclosure of the secrets of its business.

The answer denies all the salient averments of the Bill. The line which terminates the limits where the rights of the plaintiff end and those of the defendants begin is a difficult one to draw.

26 The iniquity of an employee who takes away with him the property of his employer, existing in the form of valuable processes, is as clear as if he asported any other form of property. The right of the employee to use his abilities developed through his experiences to the utmost of his capacity is equally clear. This right of the employee and his obligation to preserve to the full the property rights of the employer are shaded into each other by lines so fine that it is doubtful whether anything but a nice sense of honor can keep them distinguished.

To award an injunction pendente lite is to in some measure at least prejudge the case and involves a finding that the defendants are disposed to act contra bonos mores. At the same time it is within at least the theoretic possibilities that to refuse the writ is to permit a great injustice to be done the plaintiff. There are considerations to be taken into the account, however, which promise a more satisfying judgment of the respective rights of the parties after a full hearing than now.

The defendant especially concerned has denied all intention to do the plaintiff the injury which the latter thinks to be threatened. It is to be expected that the defendants will continue to see the wisdom and prudence, as well as the righteousness, of abiding in this position and awaiting a determination of their rights and those of the plaintiff on final hearing.

The preliminary injunction is now refused, with leave to renew the application at any time, and costs to await final decree.

Order to Show Cause.

Filed Nov. 20, 1914.

Before Dickinson, J.

On motion of Charles N. Butler, solicitor for plaintiffs, and due consideration having been had, it is ordered as follows:

27 1. That on or before the 20th day of November, 1914, a copy of this order and of the annexed affidavits of Edwin J. Prindle, Irene Du Pont, and of Warren H. Small, be served on solicitor for defendants.

2. That on or before the 23rd day of November, 1914, defendants serve upon solicitor for plaintiffs their answering affidavits.

3. That on or before the 25th day of November, 1914, plaintiffs serve on solicitor for defendants their rebuttal affidavits.

4. That defendants appear before this Court at three o'clock p. m., or as soon thereafter as counsel can be heard, on the 25th day of November, 1914, in the District Court Room, in the Post Office Building, in the City of Philadelphia, and State of Pennsylvania, and show cause, if any there be:

(*a*) Why the hearing of this cause should not be postponed until after the return to this country of Fin Sparre, one of the plaintiffs' principal witnesses, whose return is expected in the month of February, 1915, based on the said affidavits of Edwin J. Prindle and of Irene Du Pont;

(*b*) Why a preliminary injunction should not be granted as prayed in the Bill of Complaint herein, based on said Bill of Complaint, on the Record on motion for preliminary injunction on file in this Court, and on the said affidavit of Warren H. Small; and

(*c*) Why they should not deliver forthwith into the custody of the Clerk of the Court in sealed envelopes, any and all memoranda, drawings, specimens, papers, and articles of any description in their possession or under their control, without making or retaining any copies or duplicates thereof, relating to any and all secret processes, apparatuses, articles of manufacture, or compositions of mat-
28 ter, or any new and useful improvements thereof, which have become known to them by reason of the employment of Walter E. Masland by said plaintiffs or either of them, and particularly all papers containing memoranda which said Walter E. Masland made from time to time during the course of his employment by said plaintiffs or either of them as set forth on the last page of his affidavit filed in this cause in opposition to motion for preliminary injunction, as prayed in the Bill of Complaint herein.

BY THE COURT.

Attest:
GEORGE BRODBECK,
Deputy Clerk.

November 20th, 1914.

Affidavit of Warren H. Small.

Filed Nov. 20, 1914.

STATE OF NEW YORK,
County of New York, ss:

Warren H. Small, being duly sworn, deposes and says that he is of counsel for plaintiffs in the above-entitled cause; that at a hearing before his Honor Judge Dickinson in said cause on the 4th day of November, 1914, on motion of plaintiffs to take the deposition of Fin Sparre de bene esse, the above-named plaintiffs were repre-

sented by deponent and the above-named defendants by George Quintard Horwitz, Esq., their solicitor of record.

That to the best of deponent's recollection and belief Mr. Horwitz stated to the Court that it was his intention to communicate to others, who he termed experts, the trade secrets of said plaintiffs in issue herein and as known to Walter E. Masland, one of the above-named defendants; that his first statement was to the effect that he
29 intended to make this communication before trial, which statement he later modified to the effect that he intended to make this communication at the trial.

WARREN H. SMALL.

Sworn to before me this 18th day of November, 1914.
[SEAL.] IRVING ENGLANDER,
Notary Public, N. Y. C., No. 1011.

Answer of Walter E. Masland.

Filed Nov. 23, 1914.

And now, this 21st day of November, 1914, comes Walter E. Masland, one of the defendants in the above entitled case, and, for answer to the motion made by the plaintiffs to postpone the hearing, to grant preliminary injunction, etc., respectfully shows:

1. That if the hearing of the above-entitled case were postponed at this time, it would work the greatest hardship upon this defendant; that until this case is heard and finally disposed of, this defendant is placed in an uncertain and doubtful position and cannot properly conduct and carry on his business or make a livelihood; that the depositions of Dr. Fin Sparre were taken on November 9, 1914, in pursuance with the order of your Honorable Court, and consumed over five hours and resulted in 102 pages of typewritten testimony; that the plaintiffs and their counsel knew full well, from the affidavits filed by this defendant, what questions would arise upon the trial of this case, and had ample opportunity to examine Fin Sparre on all things pertaining thereto; and that it is neither fair, right nor equitable, to cause this defendant to await the problematical return of this witness, when he could have been examined
30 on all things had his counsel desired so to do; that a postponement at this time for such a cause would be not because the plaintiffs did not have an opportunity to examine this witness, but because counsel either neglected or thought it wise and proper not to examine the witness upon the points that he has now suggested.

2. That your Honorable Court has fully, carefully and patiently listened to a long and protracted argument on the subject of granting a preliminary injunction, and has filed an Opinion denying the same, and that nothing has transpired in this case since then, and no affidavit is attached to the plaintiff's Motion, which sets forth any reason for the granting of the preliminary injunction heretofore refused; that if your Honorable Court listens to this application at all,

it is respectfully averred that the plaintiffs should be confined to an argument upon the matters contained in the affidavit of Warren H. Small.

3. That your Honorable Court has already passed upon the other requests set forth in the motion, to deliver to the Clerk of the Court certain memoranda, etc., and no affidavit is attached for a reason to change the mind of your Honorable Court in this matter.

4. That if your Honorable Court granted an injunction, depriving this defendant, or his counsel, from conferring with experts upon the matters testified to in chief by the plaintiffs or plaintiffs' witnesses, it would deprive this defendant of his Constitutional right to properly appear in Court, prepare and defend his case, and would be granting a great privilege to the plaintiffs, which would work an injustice of the grossest nature upon the defendant.

This defendant, therefore, prays that the motion made by the plaintiffs should be dismissed.

WALTER E. MASLAND.

31 *Affidavit of Walter E. Masland.*

STATE OF PENNSYLVANIA,
County of Philadelphia, ss:

Walter E. Masland, being duly sworn according to law, deposes and says that he is one of the defendants in the above entitled case; that he has read over the Motion to postpone the trial of this case until some indefinite time, when one Fin Sparre will return to the United States; that any postponement of the trial of this case will work a grave injustice to him; that he has filed an Answer in this case, denying the averments contained in the Bill in Equity, and that he still denies the truth of the averments in said Bill; that he has no intention to use any knowledge obtained by him in a confidential relation; that the longer this case is postponed the greater time this affiant is prevented from earning his livelihood; that the very pendency of the case is harmful to him and prevents him from getting credit with people with whom he would deal in carrying on his proposed business of manufacturing of artificial leather; that any moneys invested by him during the pendency of these proceedings are jeopardized by the uncertainty of what may be the final decision of this Court, and that this affiant verily velieves, and, therefore, states that this application for a postponement is simply another attempt on the part of the plaintiffs to have legal proceedings hang over the head of this defendant, in order to frighten him from pursuing a lawful business, which he is able to do without using any knowledge or facts peculiar to the plaintiff's that this affiant, as heretofore stated, is intending to carry on the business of artificial leather making upon well ascertained facts generally known to the trade, as has heretofore been set forth in the Answer of this defendant.

WALTER E. MASLAND.

32 Sworn to and subscribed before me this 21st day of November, A. D. 1914.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

Affidavit of George Quintard Horwitz.

STATE OF PENNSYLVANIA,
County of Philadelphia, ss:

George Quintard Horwitz, being duly sworn according to law, deposes and says that he is counsel for the defendants in the above entitled case, and that the affidavit of Warren H. Small does not properly set forth the facts as they transpired. This affiant says that the exact facts are as follows:

A motion was pending before the Honorable O. B. Dickinson for the taking of the deposition of one Fin Sparre, and counsel for the plaintiffs was endeavoring to provide for a method of secret examination and cross-examination; that in the proposed order it was provided that a list of alleged confidential and secret matters should be handed to the witness Sparre and a copy of the same should be given to counsel for the defendants for his use only. The question as to the propriety of having an expert present at the time of the taking of this testimony, was raised and counsel for the defendant stated that he could not properly try the case for the defendants unless experts were present. The truth of this fact was demonstrated at the taking of these depositions. A discussion then arose as to the method of taking the final testimony in the case. Counsel for the plaintiffs insisted that the list — be handed to counsel for the de-
33 fendants was for his eye only and no one's else Counsel for the defendants then stated that it was his intention to show this list to any expert whom the defendants might employ to aid and assist him in preparing his case for trial; that it was not his intention to speak of any alleged confidential matter prior to the day of trial, but counsel for the defendants insisted that he had the right to show any list containing alleged secret confidential matter to experts who might be employed for the purpose of assisting the defendant at the trial. Counsel for the defendant further pointed out that it was an absolute impossibility for the defendant himself to testify on all matters that might be raised, and that the only way that he could properly present his case in a fair and intelligent manner would be by consulting with an expert in connection with the lists which were used in the examination-in-chief by the plaintiffs' counsel. Counsel for the defendant then pointed out that a great injustice would be worked to the defendants, unless he be permitted to confer with expert witnesses, and that, if the Court made the order then sought by the counsel for the plaintiffs, it would deprive counsel for the defendant from the right and privilege granted to him by the Constitution, to present his case properly, intelligently and fairly to the Court.

GEORGE QUINTARD HORWITZ,

Sworn to and subscribed before me this 21st day of November, A. D., 1914.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

34 *Opinion.*

Sur Petition for Restraining Order.

Filed Feby. 25, 1915.

DICKINSON, *J.:*

The application for a preliminary injunction in this case was rejected when made, for the reason, among other obvious ones, that the defendants had denied any purpose or intention to do the things complained of as impending and nothing appeared by way of proofs upon which to ground a finding against the defendants. This answer was supplemented by the assurance of counsel that no disclosures against which the plaintiffs asks for protection would be made. The refusal to award an injunction was accompanied, however, with leave to move for a restraining order if the exigencies of the case should at any time call for it. Plaintiffs now move for such an order basing the motion upon the moving affidavits already on file and the notice given them by counsel for defendants of the defendants' purpose and intention to employ an expert and make such disclosures to him as the proper preparation of the defence might render necessary. As was to be expected, the consequences of such a disclosure are alarming to the plaintiffs. From their point of view this would be tantamount to a frustration of the very purposes of the Bill and a denial of the relief prayed for in advance of a hearing.

The procedure questions raised fairly bulge with practical difficulties. Counsel have displayed commendable consideration for the situation in which each is placed in meeting these difficulties. The mode of dealing with them which comes clothed in hope is an early hearing and prompt decision of the cause. Except for the purposes of trial, the defendants have no occasion to consult an expert. Unless the plaintiffs are ready for an early trial, they are entitled to no protection in limine. The duty of the Court is thus in line with the wish of the parties that the cause proceed with due regard to
35 the preservation of the rights of all concerned. The right of the plaintiffs is that the secret processes which they claim as their exclusive property should not have their value destroyed by disclosure pending proof of the right. The right of the defendants is to have the extent of the plaintiff's rights promptly found and determined so that the defendants may not be hampered in their business activities. It results from this that the case should be set down for trial by the plaintiffs at the earliest convenient time, and in the meanwhile that a restraining order issue against any disclosure of processes claimed to be the property of the plaintiffs. The Equity

Rules, supplemented by the discretionary power of the Trial Judge, afford the means of ample protection to both parties in their rights. The proofs supporting the case which the defendants are to meet can be submitted by the plaintiffs at an early date and sufficient time then be given to the defendants in which to present reply proofs. The protection to be thrown around the taking of such proofs, and who shall be permitted to attend thereat, can be agreed upon by counsel or determined by the Court at the time. If an early date for final hearing is fixed defendants can submit to an ad interim restraining order without injury. Unless the case can be promptly disposed of the order should not continue indefinitely.

Counsel may submit the draft of an order embodying these features.

Decree.

Reapplication for Preliminary Injunction.

Filed March 26, 1915.

The renewed application for a preliminary injunction under the leave granted having come on to be heard and argued by
36 counsel, upon consideration thereof it is ordered, adjudged and decreed as follows:

That defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, their officers, clerks, attorneys, servants, agents, employees, workmen and confederates, and each of them, be and hereby are enjoined and prohibited, until the further Order of the Court, from directly or indirectly disclosing any and all processes, apparatuses, articles of manufacture, or compositions of matter, or any new and useful improvements thereof, in issue herein claimed to be the property of the plaintiffs, including the disclosure to experts or to fact witnesses produced at or during the taking of proofs of trial, but excepting therefrom defendants' solicitors or counsel and subject to leave granted defendants to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises.

It is further ordered that sufficient time be given defendants in which to present reply proofs to the proofs submitted by plaintiffs.

It is further ordered that the protection to be thrown around the taking of proofs and who shall be permitted to attend thereat may be agreed upon by counsel or determined by the Court at the time such proofs are taken. Plaintiffs to file injunction bond in the sum of One Thousand Dollars ($100.00).

By the Court:

DICKINSON, *J.*

Motion to Vacate, &c.

Filed April 7, 1915.

And now, this 7th day of April, 1915, come Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Mas-
37 land, Frank E. Masland and J. Wesley Masland, the defendants in the above case, and respectfully move the Court to vacate the preliminary injunction granted by it on the 26th day of March, 1915, in so far as the same applies to the right of the defendants or their counsel to directly or indirectly disclose any and all processes, apparatuses, articles of manufacture or compositions of matter, or any new or useful improvements thereon, claimed to be the property of the plaintiffs, to expert or fact witnesses produced at or during the taking of proofs of trial, including the right to consult with expert or fact witnesses regarding the same, either during cross-examination or in preparation or presentation of the defendants' case.

GEORGE QUINTARD HORWITZ,
Attorney for Defendants.

CITY AND COUNTY OF PHILADELPHIA,
State of Pennsylvania, ss:

Walter E. Masland, being duly sworn according to law, deposes and says that he is one of the defendants in the above entitled case; that he is the only one of the defendants that has knowledge of the method of manufacturing artificial leather; that he has attempted to advise with his counsel, George Quintard Horwitz, Esq., during the trial of the said case and has found that it has been impossible to do so; that the injunction granted by the Court restraining him or his counsel from conferring with expert witnesses, regarding the matters alleged to be secret by the complainants, or which they claim to be secret, is depriving this affiant and the other defendants in the case of their property without due process of law, and is depriving this affiant and the other defendants of equal protection of the law guaranteed by the Constitution of the United States of America; that it is absolutely and entirely impossible for this defendant
38 to properly, intelligently and helpfully present their case to the Court and at the same time protect their rights, without counsel for the defendants being allowed to confer and consult with expert witnesses; that the knowledge of artificial leather manufacturing possessed by this affiant is not sufficient to permit of this affiant properly assisting and helping counsel in the preparation and in the trial of this case, and, that, unless the Order made by this Court be vacated in so far as the same restrains the defendants and their counsel from consulting with an expert witness, these defendants will be entirely and utterly unable to present their case properly to the Court and will be deprived of their right to be heard in open court. And this affiant further says that by reason of his own interest in the outcome of the case, he is unable to advise with or make

suggestions to his counsel with as free, clear and untrammeled mind as could a disinterested expert witness, and therefore he is deprived of the advantages of the trial which are enjoyed by the plaintiffs, because of the ability of their counsel to confer with numberless expert witnesses upon the subject.

WALTER E. MASLAND.

Sworn and subscribed to this 7th day of April, A. D. 1915.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

CITY AND COUNTY OF PHILADELPHIA,
State of Pennsylvania, ss:

George Quintard Horwitz, being duly sworn according to law, says that he is the Senior Counsel for the defendants in the foregoing case; that he has acted as such since the case was originally
39 begun in July, 1914, and that in the taking of the depositions of the witness Fin Sparre, and in the taking of testimony in open Court before the Honorable O. B. Dickinson, he has been greatly handicapped by the fact that he has been unable to have the assistance of expert witnesses, and has been deprived of the right to confer with expert witnesses by the order of the Honorable Court, entered in this case on the 26th day of March, 1915; and that if the said order is continued, the defendants will be deprived of their right to be properly heard and their case be properly presented in Court; and that by reason of the number of prominent witnesses at the beck and call of counsel for the plaintiffs, a great advantage is given to the said plaintiffs over the said defendants; and this affiant further says that by reason of his being deprived of the help and assistance of expert assistants, he is greatly handicapped in the presentation of his case to the Court, and the defendant's case will necessarily suffer thereby.

GEORGE QUINTARD HORWITZ.

Sworn and subscribed to before me this 7th day of April, A. D. 1915.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

Stipulation as to Time of Filing Affidavit and Counter-Affidavits.

Filed April 12, 1915.

It is hereby stipulated by and between counsel for the respective parties that plaintiffs may file Affidavits on or before April 13th, 1915, in reply to Defendants' Motion to dissolve the preliminary in-

junction in this case, with the same force and effect as if filed
40 on April 7th, 1915, and that defendant shall have until April 16th, 1915, inclusive, in which to file Rebuttal Affidavits, with the same force and effect as if filed April 7th, 1915.

PRINDLE, WRIGHT & SMALL,
Attorneys for Plaintiffs.
GEORGE QUINTARD HORWITZ,
Attorney for Defendants.

April 12, 1915, Philadelphia, Pa.

Affidavit of Edwin J. Prindle.

Filed April 12, 1915.

STATE OF NEW YORK,
County of New York, ss:

Edwin J. Prindle, being duly sworn, deposes and says that he is and has been senior counsel for plaintiffs in the above-entitled cause since its institution.

That this is a suit to restrain the unlawful disclosure and use of trade secrets. That plaintiffs allege Walter E. Masland, the principal defendant, is about to disclose and use unlawfully trade secrets which are the exclusive property of said plaintiffs; and that the other defendants are lending aid and assistance and furnishing financial support for the unlawful disclosure and use.

That in 1904 said Walter E. Masland entered the Experimental Laboratories of the predecessor of one of said plaintiffs as an experimental chemist or chemical engineer, immediately after finishing his college work. That until 1912 he was engaged in confidential experimental and development work of a general nature, at which time he was placed in charge of experimental and development work in connection with fabrikoid, a trade name for plaintiffs' artificial leather made of nitrocellulose. That all his work was sur-
41 rounded with every precaution to maintain it in secrecy, and it was so understood by said Walter E. Masland and all other employees. That he and his assistants made valuable improvements and discoveries in connection with the manufacture of fabrikoid, which culminated in the completion of a new and valuable process called the "No. 2 Process." That at the completion of this work said Walter E. Masland resigned his employment, and it was ascertained that he was about to commence the manufacture of artificial leather on his own behalf with the aid, assistance and financial support of the other defendants. That in said manufacture he intended to disclose and use certain trade secrets of plaintiffs. It is now alleged that he has established a plant adapted for and capable only of using certain of the trade secrets of plaintiffs.

That motion for preliminary injunction was brought to restrain said unlawful use and disclosure. That the motion for preliminary

injunction was denied for the reason, among others, that the defendants denied any purpose or intention of doing the things complained of, although plaintiffs allege that said denial did not cover all the trade secrets in issue, but only those which said Walter E. Masland did not intend to use at present, and as to those which he did intend to use he denied that they were trade secrets, although he was instrumental in developing many of the same.

That thereafter, defendants stated their intention of disclosing the trade secrets in issue to so-called experts, whom they stated would be persons engaged in the manufacture of artificial leather, and, in effect, competitors of plaintiffs. That plaintiffs thereupon renewed their motion for preliminary injunction which was granted. That defendants thereafter brought a *a* motion to dissolve the preliminary injunction on the ground that they could not present their case without such disclosure.

That in the course of the arguments concerning the granting of the injunction, and concerning the motion for its dissolution, plaintiffs agreed, under proper conditions as to enjoining said person to secrecy, to the disclosure to any proper expert who was not now nor liable to be connected with the artificial leather business or was not a competitor, and suggested any college professor, or the Government Chemist at the Government Smokeless Powder Plant, or Mr. Stevens of the Celluloid Company, or Mr. E. C. Worden, author of a book entitled "Nitrocellulose Industry" (which book was relied on by defendants to show that certain of the trade secrets in issue were matters of public knowledge, said book being referred to by said Walter E. Masland in one of his affidavits as "one of the most noteworthy" works on the nitrocellulose industry).

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That plaintiffs never have asked and no order has been entered preventing defendants from consulting with any person or expert. That they were enjoined simply from disclosing the trade secret in issue, particularly to competitors, as such disclosure will destroy the subject-matter of the suit.

That during the trial Walter E. Masland consulted freely with his counsel and suggested the questions to be asked plaintiffs' witnesses on cross-examination. That defendants have no property before the Court, and the only property before the Court is that of plaintiffs, said property being the trade secrets in issue which defendants are seeking to destroy by disclosure thereof.

That plaintiffs have not had the advantage of a number of prominent witnesses at their beck and call, as alleged in the affidavit of George Quintard Horwitz herein, verified the 7th day of April, 1915, but are handicapped by the fact that plaintiffs have no one person so familiar with the trade secrets in issue as said Walter E. Masland. That said Walter E. Masland is familiar with the trade secrets developed both at the experimental laboratory and a the manufacturing plant of plaintiff, du Pont Fabrikoid Company. That plaintiffs are compelled to call to their assistance different persons, some of whom are familiar with one part, and others of whom are familiar with other parts, of the entire knowledge which said Walter E. Masland has. Thus it is necessary to utilize the knowl-

43

edge of Frederick P. Kniffen as to trade secrets at the manufacturing plant of Du Pont Fabrikoid Company, and to utilize the knowledge of Fin Sparre and Mr. Masland's former assistants as to trade secrets developed at the experimental laboratories.

That defendants' counsel has stated that it was their intention, if permitted by the Court, to disclose the trade secrets in issue to a Mr. Stevens, to a Mr. Walker, and to a Mr. O'Neill. That the dislosure to Mr. Stevens was consented to, on the grounds set forth above; but the disclosure to Mr. Walker and to Mr. O'Neill objected to, on the ground that such disclosure would destroy the very subject matter the Court was asked to protect. That said Walker has been present in Court during the trial of the cause. That said Walker has been identified to me as Charles R. Walker, a former employee of the Fabrikoid Company (a separate and distinct corporation and in no way or at any time connected directly or indirectly with said plaintiffs or their predecessors) from whom plaintiffs acquired the business of manufacturing artificial leather which they now conduct, and who was discharged by the predecessor of one of said plaintiffs immediately after it acquired said business. That Mr. O'Neill has been identified as Mr. A. S. O'Neill, a former employee of du Pont Fabrikoid Company, one of the plaintiffs herein. That, on information and belief, said Walker and said O'Neill both live at Warren, Pennsylvania; that said O'Neill is about to start a plant for the manufacture of artificial leather at said Warren, Pennsylvania; and that it is suspected said Walker will become identified therewith although no tangible evidence thereof can be submitted, as plaintiffs' re-
44 quest to examine said Walker at the last hearing of the Court to ascertain his qualifications was not granted.

Plaintiffs allege that they have done everything possible to assist defendants in the presentation of their case to the Court and that the issue now is, stated broadly, whether defendants have a right to disclose the trade secrets in issue to any person whom they may desire, under the guise that it is necessary to present their case. That if defendants are permitted to do this and to disclose the trade secrets in issue to competitors, it will present an insurmountable defense to any trade secret cases which may be brought, as the owner of the trade secret will be deprived of his property by such disclosure, and his property destroyed in the endeavor to protect it.

That on information and belief, defendants are endeavoring to compel plaintiffs to dismiss their suit by threatening such disclosure, and that such disclosure is not necessary to a fair determination of the issues herein, as defendant Walter E. Masland, without a single exception, has more complete knowledge of the subject-matter in issue than any other person known to plaintiff, he being the man in charge of, and who with his assistants, developed and completed many of the trade secrets in issue.

EDWIN J. PRINDLE.

Sworn to before me this 12th day of April, 1915.

[SEAL.] MARIAN I. DEMPSEY,
Notary Public.

New York County No. 877.
New York Register No. 6218.

45 *Affidavit of Fin Sparre.*

Filed Apr. 12, 1915.

STATE OF DELAWARE,
County of New Castle, ss:

Fin Sparre, being duly sworn, deposes and states that he is Director of the Experimental Station of the E. I. du Pont de Nemours Powder Company, the above named plaintiff, and that many of the trade secrets which are in issue in this suit were developed in the said Experimental Station by the defendant Walter E. Masland, as chief of the pyroxylin division, and his assistants in that division, either for the said E. I. du Pont de Nemours Powder Company or for and at the expense of the said du Pont Fabrikoid Company; that the said Walter E. Masland, as head of the pyroxylin division, had absolute charge of all experimental work which the division ever undertook approximately from the time the division was founded on or about January 1st, 1912, until his leaving the employment of the Company in June 1914; that he conducted all experimental work relating to the manufacture of artificial leather, handled all correspondence relating thereto, had conferences with the Operating and Sales Departments, made visits to customers purchasing the said artificial leather, alone as well as accompanied by salesmen, and, in general, had complete charge from beginning to end of everything relating to the manufacture of artificial leather or "fabrikoid," as plaintiff's product is known, except purely executive matters where the executive head of the Experimental Station had to direct. At the factory at Newburgh, New York, and in connection with the manufacturing of fabrikoid, the said Walter E. Masland was given opportunity to learn the chemical experimental work and the manufacturing processes there, and upon the leaving of the employ of the du Pont Fabrikoid Company of Mr. O'Neill, chief chemist of the said Company, about July, 1912, the Experimental Station was given charge of all chemical experimental work
46 and the supervision of all changes in chemical processes at the Newburgh plant, and at that time the said Walter E. Masland was given full authority to act for the Experimental Station so that he had a free hand to discuss all factory matter with Mr. Frederick Kniffen, General Manager of the Company, as well as with men at the plant, without in each case getting permission from me, which latter requirement is the usual rule for men at the Experimental Station. The said Walter E. Masland had unlimited authority to visit the said du Pont Fabrikoid Company's plant at Newburgh whenever he wanted to go there, and during several months was requested to do so approximately twice a month.

The said Walter E. Masland is without doubt one of the most capable, as well as one of the most practical and efficient chemists ever employed at the Experimental Station, and the said Station has at times had as many as twenty-eight chemists in its employ

at one time the majority of whom have been under me since 1904 and all of whom since 1908. I regard Mr. Walter E. Masland as one of the most competent chemists ever employed by the said Station. Mr. Walter E. Masland's knowledge of practical chemistry, and his ability to make use of it in connection with practical subjects was such that I had absolute confidence in him as being the best man I could pick out among the entire force of the Station to put on the fabrikoid work. He demonstrated such ability that I felt satisfied with my selection. He was the best informed man in the Company relative to the chemistry of artificial leather both as to the factory and the Experimental Station, and the best chemist for this sort of work of whom I personally know.

FIN SPARRE.

Sworn to before me this 9th day of April, 1915.
[SEAL.] P. E. STRICKLAND,
Notary Public.

My commission expires May 24, 1918.

47 *Affidavit of Frederick Kniffen.*

Filed Apr. 12, 1915.

STATE OF DELAWARE,
County of New Castle, ss:

Frederick Kniffen, being duly sworn, deposes and states that he is General Manager of the du Pont Fabrikoid Company, and Ass't Director of Operations of the Smokeless Powder Department of the E. I. du Pont de Nemours Powder Company, the above named plaintiffs, and that many of the trade secrets which are in issue in this suit are connected with processes, formulæ, methods of manufacture, and machinery, which were in use at the factory of the du Pont Fabrikoid Company, located at Newburgh, New York, during the years 1912, 1913 and 1914, to all of which, Mr. Walter E. Masland had full and unrestricted access; that Mr. Walter E. Masland was encouraged to familiarize himself with the operations of that plant in all of its details, both in order that he might carry on the experimental development of Fabrikoid with maximum efficiency, and that he might be of greatest assistance in supervising the chemical features of the operations at the Plant, such chemical supervision being part of his duties subsequent to July 18, 1912, upon which date, Mr. A. S. O'Neill, the chief chemist, left the employ of the du Pont Fabrikoid Company, and the more important of Mr. O'Neill's supervisory duties as chief chemist, were transferred to Mr. Walter E. Masland. Mr. Walter E. Masland was in frequent consultation with the deponent, the officers and the workmen at the Newburgh Plant above referred to, from the time that he was put in charge of the experimental development of Fabrikoid until he severed his connection with the plaintiff companies. Mr. Walter

E. Masland was considered by the deponent to possess unusual ability; his ability was considered of such a high order that,
48 while the fact was never communicated to him, he was, after Mr. A. S. O'Neill left the employ of the du Pont Fabrikoid Company, regarded as the most probable successor to the superintendency of the Newburgh Plant above referred to, in case a vacancy should develop in that position; it being one of the duties of the deponent to have at all times, so far as possible, suitable understudies for the more important positions connected with the du Pont Fabrikoid Company.

FREDERICK KNIFFEN.

Sworn to before me this 10th day of April, 1915.

[SEAL.] P. E. STRICKLAND,
Notary Public.

My commission expires May 24, 1918.

Affidavit of Harry Haon.

Filed Apr. 12, 1915.

COUNTY OF ORANGE,
State of New York, ss:

I, Harry Haon, being duly sworn, depose and state as follows: I am forty-three (43) years of age and am Assistant Superintendent of the du Pont Fabrikoid Company, one of the above named plaintiffs. I have been connected continuously since 1896 with the manufacture of Artificial Leather of the pyroxylin type, such as "Fabrikoid." I have been either Superintendent or Assistant Superintendent of what is now the Newburg Plant of the said du Pont Fabrikoid Company, since such plant was started in 1901. The said plant was started by the Fabrikoid Company which sold out to the E. I. du Pont de Nemours Powder Company August 1, 1910, and the latter Company formed the du Pont Fabrikoid Company in 1913.

49 In the Spring of 1908, Charles R. Walker came to the Newburgh Plant of the Fabrikoid Company and in my presence, stated that he had been employed for years by the Morrocoline Company of Stamford, Conn., in the manufacture of Artificial Leather (made of pyroxylin of the same general type as Fabrikoid except that it is made by methods which are specifically different from the Fabrikoid methods). The said Charles R. Walker stated that he was absolutely familiar with all the methods of manufacture of Artificial Leather used by the Morrocoline Company and had all their formulæ, and the said Charles R. Walker said he could successfully start a new plant working by the Morrocoline Company's said methods and expressed himself as ready and anxious to do so for the Fabrikoid Company. The said Charles R. Walker was employed by the said Fabrikoid Company to put some

of the Morrocoline Company's methods into operation in its Works but the efforts of the said Walker were a failure and resulted in a large loss to the Fabrikoid Company. On account of the representations of the said Charles R. Walker that he could put the said Morrocoline Company's methods of manufacture into operation in the Fabrikoid Company's plant, the said Fabrikoid Company paid the said Walker a salary of $6,000.00 per year.

The said E. I. du Pont de Nemours Powder Company discharged the said Charles R. Walker from its employ within two weeks after it bought the business of the said Fabrikoid Company in 1910.

I had abundant opportunity and occasion to watch the work of the said Charles R. Walker and did give it my close attention. After giving him all the men and facilities he asked for and a couple of years in which to prove his ability, the results were a failure and the Fabrikoid Company had to discontinue them. From my observation and from the results of the experience of the Fabri-
50 koid Company with the said Charles R. Walker, I am certain that he does not possess the necessary qualifications to serve in a consulting or expert capacity in reference to the manufacture of Artificial Leather by the use of Pyroxylin, such as Fabrikoid.

Arthur S. O'Neill was Chief Chemist of the Fabrikoid Works from about January, 1911, to July 18, 1912. After he left the employ of the Company, he met me at night and told me he had secured the backing of plenty of capital, to manufacture Artificial Leather and would build twenty coating machines if necessary, and that if I ever felt like making a change of employment to come to him first before going to anyone else.

HARRY J. HOAN.

Sworn to and subscribed before me this 8th day of April, 1915.
[SEAL.] GEORGE F. CHADBORN,
Notary Public, Orange Co.

Affidavit of Leonard Richards.

Filed Apr. 12, 1915.

STATE OF NEW YORK,
County of New York, ss:

I, Leonard Richards, being duly sworn, depose and state as follows: I am 55 years of age and am a resident of Stamford, Connecticut. In 1908 I was, and am now, the owner and President of the Celluloid Zapon Company, and of the Boston Artificial Leather Company, which made "Moroccoline," artificial leather of the pyroxylin type. The business of the Celluloid Zapon Company was to manufacture celluloid, lacquers and varnishes, and one of the employees of the Celluloid Zapon Company was Charles R. Walker.

The manufacturing of both of these companies was con-
51 ducted in the same works at Stamford, Connecticut. The employees having occasion to know and use the formulæ and

details of manufacture of "Moroccoline" well understood that they were expected to keep them to themselves and not to give them to anyone else unless their duties required it for the interests of the Company. The said Charles R. Walker was discharged, I think in 1908, and the reason for his discharge was that his services were unsatisfactory, and the salary he was receiving when he was discharged was $1,200 a year.

LEONARD RICHARDS.

Subscribed and sworn to before me this 12th day of April, 1915.
[SEAL.] S. ERWIN REQUA,
Notary Public, New York County.

Westchester Co. Certificate filed.
New York Co. Reg. No. 6227.
New York Co. Clerk No. 139.
Commission expires Mar. 30, 1916.

Affidavit of James Lynah.

Filed Apr. 12, 1915.

COUNTY OF ORANGE,
State of New York, ss:

I, James Lynah, being duly sworn, depose and state as follows: I am Superintendent of the du Pont Fabrikoid Company. One morning about two weeks ago, Harry Boice, foreman of the Coating Department of the du Pont Fabrikoid Company's Newburgh Plant, showed me a letter signed "A. S. O'Neill" which offered him the position of Assistant Superintendent in charge of night work of the Warren, Penna., plant of Mr. O'Neill. Mr. Boice advised me that he had telegraphed Mr. O'Neill his refusal of the offer and in my presence tore up the said letter. I am thoroughly fa-
52 miliar with the handwriting and signature of the said A. S. O'Neill, who was formerly Chief Chemist of the Fabrikoid Works and the said letter and its signature were in his handwriting.

JAMES LYNAH.

Sworn to and subscribed before me this 8th day of April, 1915.
[SEAL.] GEORGE F. CHADBORN,
Notary Public, Orange Co.

Affidavit of Harry Boice.

Filed Apr. 12, 1915.

COUNTY OF ORANGE,
State of New York, ss:

I, Harry Boice, being duly sworn, depose and state as follows: I am forty (40) years of age and am Foreman of the Coating

Department of the Du Pont Fabrikoid Company. My department applies the pyroxylin coating to the cotton cloth to make Artificial Leather. About March 25th, 1915, Arthur S. O'Neill, formerly Chief Chemist of the Fabrikoid Works, made me an offer to become Assistant Superintendent of a new factory at Warren, Pennsylvania, which he is about to start up. This offer was made in a letter which I showed to Mr. James Lynah, Superintendent of the Du Pont Fabrikoid Company, and then tore up in his presence. Mr. O'Neill had previously made me an offer orally, to go with an Artificial Leather concern. I declined both offers.

HARRY BOICE.

Sworn to and subscribed before me this 9th day of April, 1915.

[SEAL.] HARRY J. HAON,
Notary Public, County of Orange, N. Y.

53 *Affidavit of Frank Smith.*

Filed Apr. 16, 1915.

CITY AND COUNTY OF PHILADELPHIA,
State of Pennsylvania, ss:

Frank Smith, being duly sworn according to law, says that he is associate counsel in this case for the defendants; that he has carefully read over the affidavit of Edwin J. Prindle, and that Mr. Prindle in quoting defendants' counsel as to their intention in reference to certain expert witnesses, has inadvertently left out an important statement made by counsel. This affiant avers and states that what defendants' counsel did state to the Court was that it was their intention to confer with expert witnesses regarding those things testified to by the witnesses on the stand. Counsel for the defendants did say that they might call as expert witnesses, those gentlemen mentioned in the affidavit of Mr. Prindle, but at the same time stated to the Court that so far as Mr. Stevens was concerned, it would not be possible to get him to testify to more than a very small amount of those things for which an expert would be of use, and further that by reason of Mr. Stevens' many engagements, it would be impossible for Mr. Stevens to attend court daily and sit with counsel in order to advise with them. This affiant denies that the disclosure of those alleged trade secrets (that they are trade secrets being denied by the defendants) would destroy the very subject matter that the Court was asked to protect. Neither Mr. Walker nor Mr. O'Neill are in the artificial leather business, and so far as this affiant knows, are not contemplating entering into the said business; that the affidavit of Mr. Prindle is based mostly upon information and belief, and on suspicion, and there is no tangible averment contained therein. This is particularly so in reference to the last paragraph of Mr.
54 Prindle's affidavit, wherein he charges upon "information and belief," that the defendants are endeavoring to compel the

plaintiffs to dismiss their suit by threatening such disclosure, and that such disclosure is not necessary to a fair determination of the issues herein." This affiant can positively say from his own knowledge in having helped in the preparation of the case, in the assembling of testimony and the preparation of the law, that there is no truth whatsoever in the information which has been given to Mr. Prindle, to the effect that the defendants are endeavoring to compel the plaintiffs to dismiss their suit by threatening disclosure. Whoever stated this to Mr. Prindle must have done so for the purpose of misleading him and unjustly imputing a wrong motive to the defendants. This affiant knows and can say positively that unless these things to which the plaintiffs' witnesses testify on the stand, are disclosed or communicated to the expert witnesses by the defendant, it will be impossible to properly present the defendants' case to the Court with any degree of justice to the defendants. This affiant further states upon his own knowledge, that it is absolutely necessary for counsel to confer with expert and fact witnesses concerning any matters regarding which defendants' witnesses may testify during the trial. And in addition thereto, this affiant avers that counsel for the defendant stated to him that they claimed the right to pick what expert witnesses, if any, the defendant should call; and in further answer to the affidavit of Mr. Prindle, this affiant avers that it may be that during the trial the defendants will want to call other witnesses than Messrs. Stevens, Walker or O'Neill, and that when these names were mentioned in Court, they were suggested merely for the purpose of the Court understanding what class of witnesses the defendants might rely upon; and that so far as the class of witnesses are concerned mentioned by Mr. Prindle in his affidavit, it is evident that he is trying to force upon the defendants certain wit-
55 nesses who were not unprejudiced; that he must know that Mr. Stevens could not testify to the whole of the matters raised by the plaintiffs, that Mr. Stevens could not be in daily attendance in court; that upon investigation this affiant avers that the Professors at the Colleges have very little, if any knowledge on artificial leather making, and would not be at all helpful to the Court, and would not aid counsel for the defendants in the trial of the case, and that it would be unjust and unfair to force the defendants to accept any witnesses whom the plaintiffs might force upon or suggest for them.

FRANK SMITH.

Sworn and subscribed to before me this 16th day of April, A. D. 1915.

[SEAL.] GEORGE S. WOLBERT,
Notary Public.

Commission expires February 25th, 1917.

CITY AND COUNTY OF PHILADELPHIA,
State of Pennsylvania, ss:

George Quintard Horwitz, being duly sworn according to law, says that he is counsel for the defendants in the above entitled case;

that he has read over the foregoing affidavit of Frank Smith, Esq., that he is acquainted with the facts contained therein, and knows them to be true.

GEORGE QUINTARD HORWITZ.

Sworn and subscribed to before me this 16th day of April, A. D. 1915.

[SEAL.] GEORGE S. WOLBERT,
Notary Public.

Commission expires February 25th, 1917.

56 *Affidavit of W. E. Masland.*

Filed Apr. 16, 1915.

CITY AND COUNTY OF PHILADELPHIA,
State of Pennsylvania, ss:

Walter E. Masland, being duly sworn according to law, says that he is one of the defendants in the above case; that he has read over the various affidavits filed in opposition to the motion to vacate the preliminary injunction heretofore granted, and that this affidavit is made in answer thereto, as follows:

As to Affidavit of Edwin J. Prindle.

The facts regarding the case, etc., will properly appear in the pleadings and in the Opinion of the learned Chancellor filed on April 12th, 1915. It is sufficient to say that a full answer was filed in this case, denying the averments of the plaintiffs' alleged secrets, and particular attention is called to the statements contained in the fourth paragraph of my answer, reading as follows:

"I aver and state and expect to be able to prove upon the trial of this cause that knowledge regarding these materials is common to all artificial leather makers. I have no intention to use or disclose any knowledge obtained by me in any confidential relation, while in the employ of the E. I. du Pont de Nemours Powder Company, or its predecessor, or when in the employ of any other concern or concerns whatsoever. I include in this my alleged employment by the du Pont Fabrikoid Company, although I deny that I have ever been employed by it. I further aver and state that many of those things claimed by the Plaintiffs as secret processes and formulæ are well known to the trade."

57 I again repeat that of those things belonging to the plaintiffs, which are covered by inventions, or of those things which constitute trade secrets or secret processes, and which I have learned in any confidential relation, it is not now, it has not been, and it will not be my intention to either myself use the same or disclose them to any other person or persons, individually or corporately, whatsoever.

The greater portion of the affidavit of Mr. Prindle is made simply upon information and belief and therefore carries no weight. I have not made any valuable improvements and discoveries in connection with the manufacture of fabrikoid which culminated in the completion of a new and valuable process called the "No. 2 Process." This process is not a secret, but is disclosed by patents. The inference contained in the affidavit of Mr. Prindle to the effect that I resigned my employment because of any information or knowledge that I gained with the plaintiffs is not founded upon fact. I resigned because I was inadequately paid and because others were being promoted over me either because of family affiliations or other reasons which has nothing to do with merit. This fact was recognized by my superior officers employed by the plaintiffs, and they admitted that I was not getting sufficient pay and that I was not being properly treated and that preference was being given to others by reason of favoritism. It is entirely, absolutely and unqualifiedly untrue that I have established a plant adapted for and capable of using only the plaintiff's trade secrets. I have no intention of using the trade secrets of the plaintiff and never have had.

That the statement made in the affidavit of Mr. Prindle to the effect that the plaintiffs agreed "under proper conditions as to enjoining said persons to secrecy, to the disclosure to any proper expert who was not now nor liable to be connected with the artificial leather business or was not a competitor" is misleading and disingen-
58 uous. The plaintiffs insisted that they should have the right to select and choose who should be and who should not be the experts employed by myself and my co-defendants. A suggestion was made by the plaintiffs that they would accept an expert who should be a College Professor or the Government Chemist at the Government Smokeless Powder Plant. The objection of the defendants to these people, outside of the principle involved that the defendants had a right to choose any experts whom they saw fit, was that neither the College Professor nor the Government Chemist knew anything about the manufacture of artificial leather. Besides this, as was decided by the United States District Court for the District of Delaware, sitting in equity, in the suit of United States of America v. E. I. du Pont de Nemours Company and others, No. 280 (filed June 13, 1912), there was a practical and scientific co-operation pursued between the United States Government and the above named plaintiffs, and, in the Opinion accompanying said Decree, it was shown that the closest kind of relations existed between the said parties. Therefore, it is evident that the Government Chemists, whom the plaintiffs wish to make the defendants call, are in close touch with the plaintiffs and would be naturally biased in their favor. The objection of the defendants to Mr. E. C. Worden was that he is now employed and has been for a long period of time employed by the plaintiffs, and it would be unfair and improper to make these defendants rely upon his testimony and advice.

While it is true that the defendants have not been enjoined from consulting with any person or expert, they have been enjoined from

consulting with any expert, regarding any matter which the plaintiffs claim to be a secret and which they speak of in their examination-in-chief or in the examination-in-chief of their witnesses. The effect of the order of the Court is to forbid either the defendants or
59 their counsel speaking of any matter divulged on the witness stand by any of the witnesses of the plaintiffs and in that sense the defendants and their counsel are enjoined from such consultation.

I admit that my counsel did consult freely with me during the trial, but he was greatly handicapped by reason of my interest in the case and because of my lack of knowledge of the general or outside information; which said knowledge could only be supplied by those other than myself. I aver that I have distinct property rights before the Court, and a right which has been recognized by the Courts from time immemorial, and that is the right to carry on this business and enter into and make contracts unmolested and unharmed. This defendant is not seeking to destroy, by disclosure, any of the alleged secrets of the plaintiffs, if there be any.

In answer to the statement in Mr. Prindle's affidavit to the effect that he has been handicapped by the fact that the plaintiffs have no person so familiar with the trade secrets as Walter E. Masland, it is evident that the said Edwin J. Prindle failed to remember the great knowledge possessed by Mr. Frederick P. Kniffen. In an affidavit filed by Mr. Kniffen in this case, he makes the following assertion regarding himself:

"I am aware that the foregoing is in a sense simply placing my own experience in opposition to that of Mr. Masland. It may be in order, therefore, to show why my opinion as to what constitutes general knowledge is correct. In this connection I would state that for eight years I have been connected indirectly or directly with the manufacture of artificial leather. For four years prior to 1910, and therefore prior to the acquisition of the Fabrikoid Company's artificial leather business by the Du Pont Powder Company, I was in charge of the manufacture of jelly used in the manufacture of arti-
60 ficial leather by several of the American manufacturers including two of the three largest producers thereof. During these eight years, I have made many visits to the plants of such artificial leather manufacturers, have discussed the methods employed, have watched the operation of the machinery, and assisted in solving problems which arose. I have in this way been connected directly or indirectly with artificial leather manufacturers totalling at least two-thirds of the total production thereof for the United States and Canada. Mr. Masland's affidavit shows the time of his connection with artificial leather manufacture, and to the best of my knowledge and belief, he has never seen any artificial leather plants other than that of Newburgh."

As against this much-varied, long-continued and various experience of Frederick Kniffen, I have only been engaged by the plaintiffs in the investigations in connection with a part of the experimental work relative to the manufacture of artificial leather, since 1912, and I have not sufficient knowledge regarding the practical manufac-

ture of artificial leather, as conducted generally by the trade, as would permit me to advise my counsel concerning the same. I would be deprived of my rights to properly present my cause in court, unless I had the right to call expert assistants to aid my counsel and myself in the trial of the cause. My own service with the plaintiffs was under both Mr. Kniffen and Dr. Sparre and, incidentally, Dr. Reese, and all three of these distinguished gentlemen constantly sat at the elbow of counsel for the plaintiffs during the trial of this cause.

Rather than follow the method adopted by Mr. Prindle, of swearing to facts upon information and belief, I will leave to Mr. Walker the making of the affidavit regarding the allegations concerning himself in Mr. Prindle's and other affidavits.

61 Mr. Prindle is wrong in stating that the plaintiffs have done everything possible to assist the defendants in the presentation of their case to the Court, and very far from right in stating that the issue now is whether the defendants have a right to disclose the trade secrets in issue to any person that they may desire under the guise that it is necessary in order to present their case. The exact facts are these: I am the only one of the defendants who has a knowledge regarding the manufacture of artificial leather. The other defendants know nothing of this art whatsoever. I have no desire or intention to disclose any alleged trade secrets of the plaintiffs to anybody. I claim the right, however, to call expert or fact witnesses to disprove what the plaintiffs may attempt to prove in their case in chief, and claim the further right to question the said witnesses regarding the matters disclosed on the witness stand by the plaintiffs' witnesses, and also claim the right to confer with expert or fact witnesses during the progress of the trial concerning those facts spoken of and disclosed by the plaintiffs' witnesses while on the stand. The defendants do not desire to speak of anything except those matters which are testified to by witnesses called by the plaintiffs.

I do not know from what source Mr. Prindle derived his information and belief when he states that the defendants are endeavoring to compel the plaintiffs "to dismiss their suit by threatening such disclosure, and that such disclosure is not necessary to a fair determination of the issues herein." I aver and state that Mr. Prindle has been entirely and absolutely misled by an untruthful statement without any justification. These defendants are simply relying upon their rights to be heard in open Court in such a manner as is guaranteed by the Constitution of the United States. The plaintiffs rushed into this suit without ascertaining from me what I was going to do, or making any attempt to find out what my purpose was. While

62 I was still in the employ of the defendants, and after I had given them notice that I was going to leave for the reason that I was not getting sufficient salary and others were being preferred above me, the plaintiffs were preparing affidavits and preparing their case for Court, in order to bring immediate suit against me. This suit was brought without any prior notice to me and the other defendants were joined in the case without any justification. It is

also untrue that I, without a single exception, have more complete knowledge of the subject matter in issue than any other person known to the plaintiffs. The plaintiffs have a large number of persons upon whom they can call, all of whom have as much knowledge as I. In the course of the preparation of this case for trial, the plaintiffs submitted a couple of bound volumes, purporting to contain alleged secrets. I had an opportunity to cursorily examine the same. I can positively state that upon a large number of the items, a number of the men employed by the plaintiffs and connected with their factory, including Mr. Kniffen, Mr. James Lynah, Superintendent, and Harry Haon, Assistant Superintendent at the plant, have greater knowledge than I. My knowledge was mostly concerned with chemical investigation. This is conclusively proven by the fact that I, after being employed by the plaintiffs for a period of ten years, was receiving only Twenty-seven Hundred Dollars per annum, which sum I had been getting for a period of only three months, and that my salary prior to that was Twenty-two Hundred Dollars, which amount I had received for about a year and a half. I stated clearly and explicitly to my superiors that I was leaving because of the fact that I was not getting sufficient salary and because others were being preferred over me by reason of favoritism. It was admitted to me by my superiors that there was favoritism in the plaintiffs' Company, and that I did not hold the position to which I was entitled.

63 As to Affidavit of Fin Sparre.

As to the affidavit of Fin Sparre, the averments contained in this affidavit are substantially correct, provided it be understood, and I therefore aver and state, that my work was at the experimental station, where I had absolute charge of chemical experiments on Fabrikoid and the making of artificial leather. I did not have absolute charge at the factory or factories. I was not frequently at the factories. During 1912 I would visit the factory from two to five weeks apart, and would stay on each visit from one to three days. After 1912, I visited the factories about once a month and would stay about one to three days. Even when at the factories, I was engaged in the investigation of Fabrikoid from the chemical standpoint. I had nothing to do with and had no knowledge of the manufacturing standpoint, except so far as I would gain the same by observation from what was going on around me. I admit that I am an expert on the chemistry of artificial leather, but deny that I am an expert on the manufacture of artificial or imitation leather. There is a vast difference between these two things. Both my counsel and myself need the benefit of expert witnesses to assist us in the preparation of the case at trial and in the presentation of our case on defense, in connection with the testimony regarding the manufacture of artificial leather. Even in connection with the chemistry of artificial leather, I feel that I cannot with justice to my case rely solely upon my own knowledge for the reason, amongst others, that having a great interest in the outcome of the case, I am naturally nervous and worried and

at times am unable to present to my counsel the various points as clearly as I could, if I were disinterested.

As to Affidavit of Frederick Kniffen.

I can only repeat what I said in answer to the affidavit of Fin Sparre. It is impossible for me to say what was in the mind
64 of Mr. Kniffen, especially as the same was never communicated to me. I know and therefore aver and state that when Dr. Sparre asked me to take over the duties of Mr. O'Neill when the latter resigned, he stated to me that he considered me to be next in succession to Mr. Lynah as Superintendent of the factory. This was in the summer of 1912. Subsequently, when I was complaining to Dr. Sparre regarding the poor position which I held, and the small salary which I was getting and was asking him regarding the future and my chances of promotion, and particularly to the succession of Mr. Lynah upon his being promoted or leaving the Company, Dr. Sparre stated to me on more than one occasion that I had no future in the Fabrikoid Company, and was not in line of succession to the position of superintendent. At that time there was a man who was a foreman in the factory, who was related to one of the higher officials of the Company, and who was subsequently promoted over me, in spite of what Dr. Sparre said. This was one of the reasons that determined me in my decision to leave.

In conclusion, I reiterate that I cannot obtain justice in this case unless my counsel and I have the right to confer with experts on the matters disclosed by the plaintiffs through their witnesses in the course of the trial. I deny the right of the plaintiffs to dictate to me what expert witnesses I should have. The ones named by me and who are mentioned in Mr. Prindle's affidavit, were selected not only because of their knowledge, but because of their standing in the community, and because none of them are now engaged in the manufacture of artificial leather.

In answer to the attack on Mr. Charles R. Walker, I can only say that his general reputation, as I have heard it from all sides, is that he is a man of honor, integrity and standing, and I feel sure that he will be able to answer the charges made against him. Personally, I do not believe the statements to be true.

I have personally known Mr. A. S. O'Neill for a period of
65 seven or eight years. I know him to be a man of the highest character.

WALTER E. MASLAND.

Sworn to and subscribed before me this 15th day of April, A. D. 1915.

[SEAL.] MOLLIE SILVER,
Notary Public.

My commission expires March 25th, 1917.

Affidavit of Charles R. Walker.

Filed Apr. 16, 1915.

STATE OF PENNSYLVANIA,
County of Warren, ss:

I, Charles R. Walker, being first duly sworn according to law, state as follows:

I am a resident of the town of Russell, County of Warren and State of Pennsylvania. I am fifty years of age and am employed by the Warren Chemical Products Company in the manufacture of nitro-cellulose and nitro-cellulose solutions. I am not engaged in the manufacture of artificial leather, and the Company by which I am employed is not so engaged.

I was engaged from the years 1904 to 1908 by the Boston Artificial Leather Company as Chemist and received a salary of twelve hundred dollars per annum. Prior to that I was employed by the Eastman Kodak Company as Chemist connected with the use of nitro-cellulose solutions and solvents.

I have carefully read over the affidavits of one Harry Haon, sworn to on the 8th day of April, 1915, and filed in this case, and aver and state that so far as it applies to me it absolutely and entirely misrepresents the facts.

66 I did not go to Newburgh in the Spring of 1908 and was never in that City until December, 1908, when on the spur of the moment I visited the Fabrikoid Company and first met said Harry Haon.

I never made such statements before Harry Haon that I had all the Morrocoline Company's formulæ and that I could successfully start a new plant working by the Moroccoline Company's said method, nor expressed myself anxious or ready to divulge the Moroccoline Company's secrets.

As a matter of fact I was engaged by the Fabrikoid Company at Boston, Mass., by Mr. May, one of the two owners of the Fabrikoid Company. I entered that employment as Chemist at a salary of two thousand dollars per annum.

I was engaged for the purpose of attempting to overcome their difficulties in connection with the manufacture of nitro-cellulose, their plant being practically shut down owing to difficulties in the manufacture of this article.

I was not engaged for the purpose of manufacturing artificial leather, although my general knowledge in that line may have influenced my employment. My first duties were specifically the production of the nitro-cellulose.

I did not say that I would reveal any formula of my former employees, in fact distinctly said that I would not do so, but stated that I would give my best endeavors to improving the Fabrikoid Works.

I have never in my entire career exposed any secret, formulæ or

process of one concern to another and any statement to the contrary is maliciously untrue.

I was not employed by the Fabrikoid Company to put the Moroccoline Company's methods into operation, in fact such a procedure would have been useless and not desired by the Fabrikoid Company.

It is not true, but absolutely untrue, that on account of such representations the Fabrikoid Company paid me a salary of six thousand dollars per annum.

67 The man Haon, who made the affidavit used by the plaintiffs, was Superintendent at the Fabrikoid Company at the time of my entering their employ. Subsequently, I was promoted from the position of Chemist to that of Works Manager, over him, and this may be the reason for the animus shown in his affidavit. After I was with the Fabrikoid Company for a period of six months at a salary of two thousand dollars, my salary was raised to three thousand dollars, and only after I was with them one year was I promoted to the position of Works Manager and my salary raised to Six thousand dollars.

The said Harry Haon, instead of "giving me all the men and facilities" while openly pleasant, often secretly changed orders and formulæ which I had given thus spoiling results.

The methods which I advised for the production of Fabrikoid were never adopted, but were modified by Mr. May and the modification was used at the works with my knowledge, but under my protest that it was against my judgment, and resulted in some damaged goods, but the fact remains that the store house was filled with thousands of yards of bad goods when I entered their employ, and one of my duties was to try to reclaim these, which I did with more or less success.

When I left the Boston Artificial Leather Company I was discharged for the reason given at the time to me by the Superintendent of the Company, viz: that on account of the hard times following the panic of 1907 and 1908 it was necessary to cut down expenses. If the reason, as stated in the affidavit of Mr. Leonard Richards, that my services were not satisfactory, he never so stated to me. See appended letter from Mr. Williams, Superintendent of this plant, written to me at that time on this point.

I deny that I was discharged by the E. I. du Pont de Nemours Company after their purchase of the Fabrikoid Company.

68 The exact facts regarding my dissolving connections with the Fabrikoid Company and the du Pont Company are these:

I made application for patent, subsequently granted me, on a process for the recovery of solvent from coating machines used for imitation leather. This application was made while I was in the employ of the Fabrikoid Company, and with the full knowledge and consent of the President of the Company, the other partner being in Europe. At that time I made an agreement with the owners of said Company under which I should receive a royalty on the use of this machine by the Fabrikoid Company, as it then was, and should hold my position with that Company at a certain stated salary.

After the Fabrikoid Company was purchased by the du Pont Com-

pany one of the officers of the latter Company asked me to assign my patent application to the du Pont Company. I asked if they would make an arrangement with me similar to the one that I had with the owners of the Fabrikoid Company. This he refused. I asked if the du Pont people would agree to retain me in my position as Works Manager of the factory at the salary I was getting in consideration of my making the assignment. He refused to make any promise, but it was stated that I must make the assignment. I then stated that if this was their method of doing business that I would resign my position, which I did. These are the absolute facts.

In conclusion, regarding Haon's statement that my efforts with the Fabrikoid were a failure. I attach certified copies of two letters, one from Mr. Aspinwall, President and part owner of the Fabrikoid Company, written after the sale of the Fabrikoid to the du Pont Company, and the other a copy of a letter by Mr. May, Secretary and Treasurer, and part owner of the Fabrikoid Company, written to my Mother after I had been employed with them a little over a
69 year. If the date of my entering the employment of the said Fabrikoid Company be compared with the date of sale to the du Pont de Nemours Powder Company, the said Haon's statement that he had observed and assisted me for a couple of years will be shown impossible.

CHARLES R. WALKER.

Sworn to and subscribed before me this 15th day of April, A. D. 1915.

[SEAL.] ROSE H. DAVIS,
Notary Public.

My commission expires February 21, 1919.

Original Written on Fabrikoid Company's Letter Head.

NEWBURGH, N. Y., Dec. 20, 1909.

Chas. R. Walker, Newburgh, N. Y.

DEAR SIR: Confirming verbal arrangement of recent date, we hereby agree to pay you a salary of $6,000.00 for the year 1910. You will receive, commencing in January, 1910, a check from the book-keeper for $250.00 every month.

On June 30th, and December 31st, 1910, you will receive either from Mr. Aspinwall or the writer a check for $1,500.00 from the private ledger.

FABRIKOID CO.
GEO. H. MAY, *Treasurer.*

(Written in pencil: G. H. M. Typewriter.)

I hereby certify that I made the above copy from original
70 letter in Mr. Walker's possession which was written on the letter head of the Fabrikoid Company, and hereby certify that the same is a true and correct copy.

[SEAL.] ROSE H. DAVIS,
Notary Public.

My commission expires February 21, 1919.

Richards & Company, Incorporated, Manufacturing Chemists.

STAMFORD, CONN., Dec. 12, 1908.

To whom it may concern:

This is to certify that Mr. C. R. Walker, who has been in our employ for the past four years, is a man of the highest integrity and ability, always attending strictly to his work, striving to obtain the best results possible.

We are sorry to lose Mr. Walker, but with the business depression during the past year, necessitating various changes in our arrangements, we find it necessary to part company.

Mr. Walker takes with him our highest respect and best wishes for his future success.

Very truly,

RICHARDS & CO., INC.,
E. D. WILLIAMS, *Supt.*

I hereby certify that I copied the above from the original letter in Mr. Walker's possession and, after comparing the same carefully, find that it is a true and correct copy of said original letter.

[SEAL.] ROSE H. DAVIS,
Notary Public.

My commission expires February 21, 1919.

71 Original Written on Letterhead of Fabrikoid Company.

NEWBURGH, N. Y., August 3d, 1910.

Mr. Charles R. Walker, Fabrikoid Co., Newburgh, N. Y.

MY DEAR MR. WALKER: Now that I have severed my connection with the Fabrikoid Company, I desire to express to you my appreciation of your work while I was the president of that Company. I have always found you industrious, competent, and faithful to the best interests of the Company and of great help to me. I certainly wish you success in whatever you undertake, and desire to express my thanks to you for your loyalty to me and the Company.

Sincerely Yours,

JOHN ASPINWALL.

I hereby certify that I copied the above from the original letter in Mr. Walker's possession and, after carefully comparing the same, find it to be a true and correct copy.

[SEAL.] ROSE H. DAVIS.
Notary Public.

My commission expires February 21, 1919.

Sunnyside Balmville.

NEWBURGH, New York, Jan'y 13, '10.

MY DEAR MRS. WALKER: On my return from a short visit to Boston I find yours of the Ninth instant and in reply would say that

your son has "made good" in our plant, and it is our pleasure to demonstrate our approval of his accomplishments.

72 Thanking you for your manifest interest, and hoping to see you again in Newburgh ere long, I remain

Sincerely,

GEO. H. MAY.

I hereby certify that I copied the above from the original letter in Mr. Walker's possession and, after carefully comparing the same find it to be a correct copy of the original letter.

[SEAL.] ROSE H. DAVIS.
Notary Public.

My commission expires February 21, 1919.

Opinion.

Sur Motion to Vacate Preliminary Injunction and Restraining Order.

Filed Apr. 12, 1915.

DICKINSON, *J:*

An unusual situation is presented in this case, the only way to cope with which is by a pro forma refusal of the present motion and the entry of an order continuing the trial of the cause until the question can be passed upon by an Appellate Court.

The question arises out of this condition of facts. The Bill was filed to restrain the defendant from disclosing what are claimed to be the trade secrets of the plaintiff, knowledge of which came to the defendant while in plaintiff's employ, and which were confidentially communicated to him. An application for a preliminary injunction was refused because, among other reasons, no finding against the defendant of any intention to disclose was at the time justified. The case was met in the highly commendable spirit on both sides of a due regard for the rights of each other, and it was arranged that no disclosure should be made by defendant without notice be-

73 forehand sufficient to give plaintiff time to apply for relief, and express leave was granted plaintiff to renew its application for a preliminary injunction or restraining order should need for protection arise. Efforts were then made to devise some method of trying the case without divulging any of the processes claimed to be the property of the plaintiff. To this end depositions were taken and the defendant given information of what the claimed secret processes were, the formulæ of which were kept in camera. A predicament then arose. The defendant maintains that some of the claimed secret processes are not such at all but processes which any one in the business has the free right to use. The truth of the averments on the one side and the other are asserted to be the proper subject of expert knowledge and testimony. The defendant- therefore notified the plaintiff and the Court that they proposed to exercise their claimed right of employing experts and discussing with them

the features of the case which were in controversy. This, as was to be expected, alarmed the plaintiff who renewed its application for a preliminary injunction or restraining order. The dilemma in which the plaintiff was placed could not be ignored.

The exigencies of the case were met by the order of the Court allowing the injunction. This was made with the thought in mind that there was no immediate need for the employment of experts and that the cause might proceed to trial in the hope that some method of conserving the rights of both parties could be found. Leave was therefore given the defendant to move to vacate the order at any time, and if unprepared at the trial to present his defence, to move for a continuance. To this as a practical expedient, defendant had no objection, provided he was fully protected in the assertion of his claimed rights. The order was therefore made and an exception allowed to the defendant and the parties proceeded to trial. To further raise the question witnesses for the plaintiff were asked on
74 cross-examination to state the formulae embodying the secret processes, and the present motion to vacate was made.

This brings us face to face with the predicament which now must be met. The dilemma of the plaintiff has become acute. It would of course, be idle to the point of flat absurdity for the trial Judge to compel the plaintiff to publicly disclose its processes in the act of protecting them from disclosure. This difficulty could be met by an appropriate order for keeping the answers to the questions asked in camera. There is an admitted necessity that the trial Judge, parties and counsel on both sides should know. To this plaintiff does not object. Counsel for defendant claims (and we cannot do otherwise than find this to be in good faith) that it is necessary for them to employ and confer with experts. They claim this to be their right. If it is allowed by the trial Judge the practical result is that plaintiff is driven to an abandonment of its case without being able to have the ruling reviewed by an Appellate Court. The only way out of this dilemma is for us to pro forma refuse the defendants' motion and continue the preliminary injunction, restraining the defendant from disclosing to expert witnesses employed by them the processes claimed by the plaintiff as its secrets in order to afford an opportunity to the defendant- to appeal from this order and to have their rights in the premises declared.

This order is accordingly made and an exception is allowed the defendant-.

Decree.

Filed Apr. 13, 1915.

And now, to wit, this 13th day of April, 1915, upon consideration of the motion made by the defendants on the 7th day of April,
75 1915, to vacate the Preliminary Injunction granted by this Court on the 26th day of March, 1915, in so far as the same applies to the right of the defendants or their counsel to directly or indirectly disclose any and all processes, apparatuses, articles of man-

ufacture or compositions of matter, or any new or useful improvements thereon in issue herein, claimed to be the property of the plaintiffs, to expert or fact witnesses produced at or during the taking of proofs of trial including the right to consult with expert or fact witnesses regarding the same, either during cross-examination or in preparation or presentation of the defendants' case, and after argument of counsel, the said motion is denied for the reasons set forth in opinion filed the 12th day of April 1915, and it is ordered, directed and decreed that the Preliminary Injunction granted on the 26th day of March, 1915, shall stand; provided that defendants shall not be deprived of the right to examine expert and fact witnesses excepting as to said processes, apparatuses, articles of manufacture, or compositions of matter, or any new or useful improvements thereon in issue herein and claimed to be the property of the plaintiffs.

By the Court:

DICKINSON, *J.*

Assignments of Error.

Filed Apr. 16, 1915.

First. The learned Court below erred in entering the following decree on the 13th day of April, 1915, to wit:

"And now, to wit, this 13th day of April, 1915, upon consideration of the motion made by the defendants on the 7th day of April, 1915, to vacate the Preliminary Injunction granted by this Court on the 26th day of March, 1915, in so far as the same applies
76 to the right of the defendants or their counsel to directly or indirectly disclose any and all processes, apparatuses, articles of manufacture or compositions of matter, or any new or useful improvements thereon in issue herein, claimed to be the property of the plaintiffs, to expert or fact witnesses produced at or during the taking of proofs of trial including the right to consult with expert or fact witnesses regarding the same, either during cross-examination or in preparation or presentation of the defendants' case, and after argument of counsel, the said motion is denied for the reasons set forth in opinion filed the 12th day of April, 1915, and it is ordered, directed and decreed that the Preliminary Injunction granted on the 26th day of March, 1915, shall stand; provided that defendants shall not be deprived of the right to examine expert and fact witnesses excepting as to said processes, apparatuses, articles of manufacture, or compositions of matter, or any new or useful improvements thereon in issue herein and claimed to be the property of the plaintiffs."

To the entering of this Decree the Court granted an exception. (See opinion of the Court of April 12, 1915, Transcript of Record, p. 72.)

Second. The learned Court below erred in entering the following decree on the 26th day of March, 1915, to wit:

"The renewed application for a preliminary injunction under the

leave granted, having come on to be heard and argued by counsel, upon consideration thereof it is ordered, adjudged and decreed as follows:

"That defendants, Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland
77 and J. Wesley Masland, their officers, clerks, attorneys, servants, agents, employes, workmen, and confederates, and each of them, be and hereby are enjoined and prohibited, until the further Order of the Court, from directly or indirectly disclosing any and all processes, apparatuses, articles of manufacture, or compositions of matter, or any new or useful improvements thereof, in issue herein, claimed to be the property of the plaintiffs, including the disclosure to exports or to fact witnesses produced at or during the taking of proofs of trial, but excepting therefrom defendants' solicitors or counsel, and subject to leave granted defendants to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises.

"It is further ordered that sufficient time be given defendants in which to present reply proofs to the proofs submitted by plaintiffs.

"It is further ordered that the protection to be thrown around the taking of proofs and who shall be permitted to attend thereat, may be agreed upon by counsel, or determined by the Court, at the time such proofs are taken. Plaintiffs to file an injunction bond in the sum of one thousand dollars."

To which action of the Court counsel for the defendants objected and asked for an exception, both with respect to the order itself and to the making of the order at this stage of the trial of the case. An exception was entered for defendants by permission of the Court.

FRANK SMITH,
GEORGE QUINTARD HORWITZ,
For Defendants.

April 14, 1915.

78 *Stipulation of Portion of Record to be Printed on Appeal.*

Filed Apr. 14, 1915.

It is hereby stipulated between counsel for the respective parties, subject to the approval of the Court, that the transcript of record sur appeal in the above entitled cause shall contain the following papers:

1. Docket Entries.
1½. Bill in Equity.
2. Amendment to Bill in Equity.
3. Answers.
4. Amendments to Answers.
5. Opinion of Court refusing Preliminary Injunction.
6. Motion of Plaintiffs under date of November 20th for Preliminary Injunction, etc.
7. Affidavits of Messrs. Small, et al., in reference to said motion.
8. Answer of Walter E. Masland to said Motion.

9. Affidavits of Walter E. Masland, et al., against said Motion.
10. Opinion by Judge Dickinson of February 25th granting leave to counsel to submit form of restraining order.
11. Order of Court granting motion for preliminary Injunction of March 26th.
12. Motion to vacate Preliminary Injunction filed April 7th, as to expert or fact witnesses.
13. Stipulation of April 12, 1915, as to filing of opposing and rebuttal affidavits.
14. Action of Court on Motion to Vacate, including Opinion and Order.
15. Affidavits contra Motion to Vacate.
79 16. Rebuttal Affidavits in Support of Motion to Vacate.
17. Appeal Papers.

And no others.

April 13th, 1915.

CHARLES N. BUTLER,
EDWIN J. PRINDLE,
Attorneys for Plaintiff.
FRANK SMITH,
GEORGE QUINTARD HORWITZ,
Attorneys for Defendant.

Approved by the Court:
DICKINSON, *J.*

UNITED STATES OF AMERICA,
Eastern District of Pennsylvania, sct:

I, William W. Craig, Clerk of the District Court of the United States for the Eastern District of Pennsylvania, do hereby certify, that the annexed and foregoing is a true and faithful copy of so much of the Pleas and Proceedings in the case of E. I. du Pont de Nemours Powder Co., et al., vs. Walter E. Masland, et al., No. 1279, June Sess., 1914, as per stipulation filed, a copy of which is hereto attached, now remaining among the records of the said court in my office.

In testimony whereof, I have hereunto subscribed my name and affixed the seal of the said District Court at Philadelphia, this 16th day of April, in the year of our Lord, one thousand, nine hundred and fifteen, and in the one hundred and thirty-ninth year of the Independence of the United States.

[SEAL.]

WILLIAM W. CRAIG,
Clerk District Court U. S.

80 In the United States Circuit Court of Appeals for the Third Circuit, March Term, 1915.

No. 1954.

WALTER E. MASLAND et al., Appellants,
vs.
E. I. DU PONT DE NEMOURS POWDER COMPANY et al., Appellees.

And afterwards, to wit, on the eleventh day of May, 1915, come the parties aforesaid by their counsel aforesaid, and this case being called for argument sur pleadings and briefs, before the Hon. Joseph Buffington, Hon. John B. McPherson, and Hon. Victor B. Woolley, and the Court not being fully advised in the premises, takes further time for the consideration thereof.

And afterwards, to wit, on the sixth day of July, 1915, come the parties aforesaid by their counsel aforesaid, and the Court now being fully advised in the premises, renders the following decision:

81 In the United States Circuit Court of Appeals for the Third Circuit, March Sessions, 1915.

No. 1954.

WALTER E. MASLAND et al.
vs.
E. I. DU PONT DE NEMOURS POWDER COMPANY et al., Plaintiff Below.

Appeal from the United States District Court for the Eastern District of Penna.

In Equity.

Before Buffington, McPherson, and Woolley, Circuit Judges.

MCPHERSON, *Circuit Judge:*

The situation presented by this appeal is rather out of the common, and calls for a somewhat detailed statement in approaching the point for decision.

The only plaintiff that need be noticed at this stage is the E. I. du Pont Nemours Powder Company, and the only defendant, is Walter E. Masland. During the last 4 or 5 years the company has been engaged in making artificial leather, among other products, and for nearly 10 years Masland was a chemist in the company's employ. He gave up his position on June 13, 1914, and on July 3 the pending bill in equity was filed. In brief, it charges as follows: As a part of the company's extensive and varied busi-

ness, experimental stations are maintained for the purpose of investigation, invention, and discovery; some of these inventions and discoveries are protected by letters patent, and others are
82 guarded as trade secrets. Masland was employed with the understanding that the secrets of the business were not to be disclosed to others, or used in any manner by himself or other employes. In August, 1910, the company turned its attention to artificial leather, and early in 1912 placed Masland in charge of experimental work in connection therewith, giving him access to all the secret processes. In June, 1914, Masland left the company's employ, and is now intending to begin the manufacture of artificial leather, and to use therein the company's "secret processes, apparatuses, articles of manufacture, and compositions of matter."

The bill prayed for a preliminary injunction to restrain such threatened use or disclosure. Affidavits were filed by both parties, and on July 15 the motion was argued. On July 22 Masland filed an answer, which admitted much in the bill, including his purpose to make artificial leather, but denied his intention to use any of the plaintiff's secret processes, &c. He averred that he had never agreed with the plaintiff "regarding any confidential relations in connection with the manufacture of artificial leather," and declared that he intended "to manufacture artificial leather by processes which are common knowledge of artificial leather manufacturers, and when engaged in this work it is my intention to use some basic raw materials which, so far as I know, are not used and never have been used by the (plaintiff), but which are used in some degree and in certain units by competing companies." He averred that knowledge regarding these materials was common to all makers of artificial leather, and repeated the assertion that he did not intend to use or disclose any knowledge obtained by him in any confidential relation while in the employ of the plaintiff, declaring again that many processes and formulas claimed by the company as its own secrets were well known to the trade. On August 5, the answer as well as the affidavits being before Judge Dickinson, he refused a preliminary injunction for the reasons stated in the margin: (Also reported in 216 Fed. 271.)

83 "DICKINSON, *J.*:

We follow the usual practice in not discussing the merits of the Bill on this motion further than is necessary to make clear the reason for the conclusion we have reached.

The Bill alleges knowledge of secret processes of manufacture necessary to the successful prosecution of the business of plaintiff gained by one of the defendants while in the employ of the plaintiff and maintaining confidential relations with it.

The further averment is that these processes will be disclosed unless such disclosure is prohibited by the Court. The other defendants are alleged to be associated with the plaintiff's former employee in a contemplated business which will involve the use of plaintiff's processes, and a disclosure of the secrets of its business.

The answer denies all the salient averments of the Bill. The line which terminates the limits where the rights of the plaintiff end and those of the defendants begin is a difficult one to draw. The iniquity of an employee who takes away with him the property of his employer, existing in the form of valuable processes, is as clear as if he asported any other form of property. The right of the employee to use his abilities developed through his experiences to the utmost of his capacity is equally clear. This right of the employee and his obligation to preserve to the full the property rights of the employer are shaded into each other by lines so fine that it is doubtful whether anything but a nice sense of honor can keep them distinguished.

To award an injunction pendente lite is to in some measure at least prejudge the case and involves a finding that the defendants are disposed to act contra bonos mores. At the same time it is within at least the theoretic possibilities that to refuse the writ is to permit a great injustice to be done the plaintiff. There are considerations to be taken into the account, however, which promise a more satisfying judgment of the respective rights of the parties after a full hearing than now.

The defendant especially concerned has denied all intention to do the plaintiff the injury which the latter thinks to be threatened. It is to be expected that the defendants will continue to see the wisdom and prudence, as well as the righteousness, of abiding in this position and awaiting a determination of their rights and those of the plaintiff on final hearing.

The preliminary injuncton is now refused, with leave to renew the application at any time, and costs to await final decree.

84 As will be observed, he coupled the refusal "with leave to renew the application at any time," and on November 20 the plaintiff did renew the application. On November 25 another argument was had, but this was not disposed of until Feb. 25, when the court filed an opinion saying, inter alia,—

"The right of the plaintiffs is that the secret processes which they claim as their exclusive property should not have their value destroyed by a disclosure pending the proof of the right. The right of the defendants is to have the extent of the plaintiff's rights properly found and determined so that the defendants may not be hampered in their business activities. It results from this that the case should be set down for trial by the plaintiffs at the earliest convenient time, and meanwhile that a restraining order issue against any disclosure of processes claimed to be the property of the plaintiff. The equity rules, supplemented by the discretionary power of the trial judge, afford the means of ample protection to both parties in their rights. The proof supporting the case which the defendants are to meet can be submitted by the plaintiffs at an early date, and sufficient time then be given to the defendants in which to present reply proofs. The protection to be thrown around the taking of such proofs, and who shall be permitted to attend thereat, can be agreed upon by counsel, or determined by the court at the time. If an early date for final hearing is fixed defendants

can submit to an ad interim restraining order without injury. Unless the case can be properly disposed of, the order should not continue indefinitely."

No formal order, however, was made at that time, and on March 25 the case came on for final hearing in camera. The plaintiff took testimony on March 25 and 26, but as no report of the proceedings has been laid before us we do not know precisely what was offered. It sufficiently appears however that difficulty and friction developed, for on March 26 while the plaintiff was still presenting its case and had already disclosed some (if not all) of the disputed formulas, the court made an order (following the opinion of Feb. 25), restraining the defendant (from directly or indirectly disclosing any and all processes &c. in issue herein, claimed to be the property of the plaintiffs." The defendant was expressly enjoined from disclosing such processes &c. either "to experts or to fact witnesses produced at or during the taking of proofs of trial"—but excepting his counsel from the scope of the order. He was also given leave "to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises;" and the order further
85 provided, " that sufficient time be given defendant in which to present reply proofs to the proofs submitted by plaintiffs." Finally the court added, "that the protection to be thrown around the taking of proofs, and who shall be permitted to attend thereat, may be agreed upon by counsel or determined by the court at the time such proofs are taken."

On April 7, at an adjournment of the trial, the defendant moved to vacate the order so far as it restrained him or his counsel from disclosing "to experts or to fact witnesses, produced at or during the taking of proofs of trial," the processes &c. claimed to be the plaintiff's property; asserting his right to consult with either class of witnesses regarding these processes "either during cross examination or in preparation or presentation of the defendant's case." Affidavits were presented by both parties, and a few days afterwards the trial judge filed another opinion—also quoted in the margin, but not yet reported—which sets forth some of the difficulties of the situation:

"An unsual situation is presented in this case, the only way to cope with which is by a profforma refusal of the present motion and the entry of an order continuing the trial of the cause until the question can be passed upon by an Appellate Court.

The question arises out of this condition of facts. The Bill was filed to restrain the defendant from disclosing what are claimed to be the trade secrets of the plaintiff, knowledge of which came to the defendant while in plaintiff's employ, and which were confidentially communicated to him. An application for a preliminary injunction was refused because, among other reasons, no finding against the defendant of any intention to disclose was at the time justified. The case was met in the highly commendable spirit on both sides of a due regard for the rights of each other, and it was arranged that no disclosure should be made by defendant without notice beforehand sufficient to give plaintiff time to apply for re-

lief, and express leave was granted plaintiff to renew its application for a preliminary injunction or restraining order should need for protection arise. Efforts were then made to devise some method of trying the case without divulging any of the processes claimed to be the property of the plaintiff. To this end depositions were taken and the defendant given information of what the claimed secret processes were, the formulæ of which were kept in camera. A predicament then arose. The defendant maintains that some of the claimed secret processes are not such at all but processes which any one in the business has the free right to use. The truth of the averments on the one side and the other are asserted to be the proper subject of expert knowledge and testimony. The defendant therefore notified the plaintiff and the Court that they proposed to exercise their claimed right of employing experts and discussing with them the features of the case which were in controversy. This, as
86 was to be expected, alarmed the plaintiff who renewed its application for a preliminary injunction or restraining order. The dilemma in which the plaintiff was placed could not be ignored.

The exigencies of the case were met by the order of the Court allowing the injunction. This was made with the thought in mind that there was no immediate need for the employment of experts and that the cause might proceed to trial in the hope that some method of conserving the rights of both parties could be found. Leave was therefore given the defendant to move to vacate the order at any time, and if unprepared at the trial to present his defence, to move for a continuance. To this as a practical expedient, defendant had no objection, provided he was fully protected in the assertion of his claimed rights. The order was therefore made and an exception allowed to the defendant and the parties proceeded to trial. To further raise the question witnesses for the plaintiff were asked on cross-examination to state the formulæ embodying the secret processes, and the present motion to vacate was made.

This brings us face to face with the predicament which now must be met. The dilemma of the plaintiff has become acute. It would of course, be idle to the point of flat absurdity for the trial Judge to compel the plaintiff to publicly disclose its processes in the act of protecting them from disclosure. This difficulty could be met by an appropriate order for keeping the answers to the questions asked in camera. There is an admitted necessity that the trial Judge, parties and counsel on both sides should know. To this plaintiff does not object. Counsel for defendant claims (and we cannot do otherwise than find this to be in good faith) that it is necessary for them to employ and confer with experts. They claim this to be their right. If it is allowed by the trial Judge the practical result is that plaintiff is driven to an abandonment of its case without being able to have the ruling reviewed by an Appellate Court. The only way out of this dilemma is for us to pro forma refuse the defendant's motion and continue the preliminary injunction, restraining the defendant from disclosing to expert witnesses employed by them the processes claimed by the plaintiff as its secrets

in order to afford an opportunity to the defendant to appeal from this order and to have their rights in the premises declared."

On April 13, an order was made refusing to vacate the preliminary injunction, or restraining order, entered on March 26, but adding a proviso "that defendants shall not be deprived of the right to examine expert and fact witnesses"—still with the important exception that such witnesses might not be examined with reference to the processes &c. "in issue herein and claimed to be the property of the plaintiffs." The pending appeal is from this order, which refuses to vacate (while it somewhat amends) the restraining order or injunction of March 26. We have had some doubt whether this order is appealable. It was made during the progress of the trial, apparently before the company had finished the presentation of its case, but at all events before the defendant had offered any evidence, and may be construed with little difficulty as a mere direction
87 concerning the method of conducting the trial. But, as the order is regarded as vital by both parties, we shall treat the general subject as properly before us.

In the first place, it should be observed that the situation does not present the question, how a conceded trade secret should be protected: it is true, the company asserts these formulas to be its own private property, but the defendant denies the assertion, declaring them to be matters of common knowledge, and the district judge has found this issue to be tendered in good faith. By whom, therefore, and how, is this fundamental controversy to be decided? Obviously, by the tribunal to which the company itself has appealed, and by the use of the flexible procedure and the elastic process of a court of equity. It is undeniable that the subject-matter of the dispute is property—perhaps of much value—namely, the defendant's right to pursue a lawful business unmolested, as well as the company's right to prevent competitors from making an unlawful use of its private methods. But the peculiar nature of the property requires the court to take peculiar care to avoid doing injury to either party. If the formulas are in reality trade secrets, they are entitled to protection; if in fact they are already well known, the defendant has a right to use them freely. The truth upon this subject is therefore the very first fact to be determined, and the court could not evade that duty, even if it so desired. The method of ascertaining any fact in the trial of a cause is so largely within the discretion of the trial judge that an appellate court is not likely to interfere with details of administration; these must of necessity be entrusted to the better judgment of a court of first instance. But there are certain fundamental rights to which a defendant is entitled if he is to enjoy due process of law. Among them are these; he must be allowed to learn his adversary's case, and he must be heard in his own defense. In order to be heard (within the proper meaning of that word) he must be allowed to prepare his defense, and this he cannot do unless he be permitted to
88 & 89 consult with witnesses upon the matters in issue, and to examine them in court according to the established rules that govern a trial. If a trial involve a question that can only be prop-

erly understood by the aid of expert testimony, he must be allowed to consult such witnesses in order that he may have the help of their skill and knowledge.

When in the course of a plaintiff's case he is obliged to disclose a process whose secret character is in dispute, he necessarily offers the process to be examined by his antagonist as well as by the court; and, while the court may and should guard the disclosure as carefully as possible, the defendant cannot be denied his right to a proper presentation of his defense. Ordinarily he cannot be confined to testimony from his own lips; he is entitled to call other witnesses in support of his asserted right, and he is equally entitled to confer with them in advance. And, if this involves a certain risk in case the process should turn out to be really a secret, we do not see how the risk can possibly be avoided. The method of taking testimony in court is always in the power, and largely in the discretion, of the trial judge, and in such a case as this the hearing is properly in camera with such restrictions on the presence of witnesses as the circumstances may fairly indicate, and as the rights of the parties may permit. We think that the power of the court to enjoin and enforce secrecy on all the participants in such a trial is likely to be effective, but after all, some risk must inevitably be run; a trial is a trial, and a court is a court, where a judicial hearing can only be conducted by obeying the fundamental rules that govern such investigations. We cannot avoid the conclusion, therefore, that the order in question restricted the defendant unduly in the exercise of his right to be heard; as it stands, he would find great difficulty in putting an expert on the stand, and practically he could call no other witness than himself. At all events, he would be so hampered that little freedom would remain. We make no suggestion about the manner of conducting the trial; it is not for us to offer advice on this subject, and we are sure that the trial judge will continue to act with the scrupulous care and caution he has already displayed. But the order before us is too sweeping, and should be modified in accordance with this opinion. Our knowledge of the situation is necessarily imperfect, and we cannot undertake to do more than state the foregoing rules. Before the mandate issues, perhaps the parties may be able to agree on details; if not, we are compelled to commit the subject of modification to the court below, and as already stated the manner of conducting the trial must be left in large measure to the discretion of the trial judge. We will only add that we repose implicit confidence in the honor of the defendant and his counsel that in the preparation and the conduct of his side of this difficult case they will impress strongly on such of their witnesses as must of necessity learn something of the subject-matter the serious obligation these witnesses assume to preserve inviolate the secrecy of these processes until their true character shall be finally determined. If they turn out to be really secrets the power of the district court should be exercised, and no doubt will be exercised, without hesitation to give them adequate protection; if they are really open to the world no harm will have been done, but it ap-

pears to be inevitable that to some extent a preliminary disclosure must be permitted.

The decrees of March 26 and of April 13 are reversed.

Endorsed: No. 1954. Opinion of the Court by McPherson, J. Received & Filed July 6, 1915. Saunders Lewis, Jr., Clerk.

91 In the United States Circuit Court of Appeals for the Third Circuit.

WALTER E. MASLAND et al., Appellants,
vs.
E. I. DU PONT DE DEMOURS POWDER COMPANY et al., Appellees.

Appeal from the District Court of the United States for the Eastern District of Pennsylvania.

This cause came on to be heard on the transcript of record from the District Court of the United States, for the Eastern District of Pennsylvania, and was argued by counsel.

On consideration whereof, it is now here ordered, adjudged and decreed by this Court, that the decrees of March 26 and April 13, 1915, of the said District Court in this cause be, and the same are reversed, with costs.

Philadelphia, July 6, 1915.

(Signed) JOHN B. McPHERSON,
Circuit Judge.

Endorsed: No. 1954. Order Reversing decree July 6, 1915. Saunders Lewis, Jr., Clerk.

92 UNITED STATES OF AMERICA,
Eastern District of Pennsylvania,
Third Judicial Circuit, sct.:

I, Saunders Lewis, Jr., Clerk of the United States Circuit Court of Appeals, for the Third Circuit, do hereby Certify the foregoing to be a true and faithful copy of the original transcript of record and proceedings in this Court, in the case of Walter E. Masland, et al., Appellants, vs. E. I. du Pont de Nemours Powder Company, et al., Appellees, on file, and now remaining among the records of the said Court, in my office.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the said Court, at Philadelphia, this fifteenth day of July in the year of our Lord one thousand nine hundred and fifteen and of the Independence of the United States the one hundred and fortieth.

[Seal United States Circuit Court of Appeals, Third Circuit.]

SAUNDERS LEWIS, JR.,
Clerk of the U. S. Circuit Court of Appeals, Third Circuit.

[Endorsed:] No. —. —— Term, 191–. United States Circuit Court of Appeals, Third Circuit. Certified Copy.

93 UNITED STATES OF AMERICA, *ss:*

[Seal of the Supreme Court of the United States.]

The President of the United States of America to the Honorable the Judges of the United States Circuit Court of Appeals for the Third Circuit, Greeting:

Being informed that there is now pending before you a suit in which Walter E. Masland et al. are appellants, and E. I. du Pont de Nemours Powder Company et al. are appellees, which suit was removed into the said Circuit Court of Appeals by virtue of an appeal from the District Court of the United States for the Eastern District of Pennsylvania, and we, being willing for certain reasons that the said cause and the record and proceedings therein should be certified by the said Circuit Court of Appeals and removed
94 into the Supreme Court of the United States,—Do hereby command you that you send without delay to the said Supreme Court, as aforesaid, the record and procedings in said cause, so that the said Supreme Court may act thereon as of right and according to law ought to be done.

Witness the Honorable Edward D. White, Chief Justice of the United States, the 8th day of December, in the year of our Lord one thousand nine hundred and fifteen.

JAMES D. MAHER,
Clerk of the Supreme Court of the United States.

95 [Endorsed:] File No. 24,864. Supreme Court of the United States, No. 581, October Term, 1915. E. I. du Pont de Nemours Powder Company et al. vs. Walter E. Masland et al. Writ of Certiorari.

96 United States Circuit Court of Appeals for the Third Circuit.

No. 1954.

E. I. DU PONT DE NEMOURS POWDER COMPANY and DU PONT FABRIKOID COMPANY, Plaintiffs-Appellees,

v.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, Defendants-Appellants.

Stipulation.

It hereby is stipulated and agreed by and between counsel for the respective parties that the certified Transcript of Record on file in the Supreme Court of the United States in the above case may be taken as a return to the writ of certiorari herein from the Supreme

Court of the United States to the United States Circuit Court of Appeals for the Third Circuit, dated December 6, 1915.

(Signed) EDWIN J. PRINDLE,
Counsel for Plaintiffs-Appellees.

(Signed) GEORGE QUINTARD HORWITZ,
Counsel for Defendants-Appellants.

Dated, December 14, 1915.

Endorsed: No. 1954. Stipulation of counsel for return to certiorari. Received & filed Dec. 14, 1915. Saunders Lewis, Jr., Clerk.

97 UNITED STATES OF AMERICA,
Eastern District of Pennsylvania.
Third Judicial Circuit, set:

I, Saunders Lewis, Jr., Clerk of the United States Circuit Court of Appeals, for the Third Circuit, do hereby Certify the foregoing to be a true and faithful copy of the original stipulation of counsel for return to certiorari in the case of Walter E. Masland, et al., Appellants, vs. E. I. Du Pont de Nemours Powder Co., et al., Appellees, on file, and now remaining among the records of the said Court, in my office.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the said Court, at Philadelphia, this seventeenth day of December in the year of our Lord one thousand nine hundred and fifteen and of the Independence of the United States the one hundred and fortieth.

[Seal United States Circuit Court of Appeals, Third Circuit.]

SAUNDERS LEWIS, JR.,
Clerk of the U. S. Circuit Court of Appeals, Third Circuit.

[Endorsed:] No. —. —— Term, 191–. United States Circuit Court of Appeals, Third Circuit. 581/24,864. Certified Copy.

98 [Endorsed:] File No. 24,864. Supreme Court U. S. October term, 1915. Term No. 581. E. I. du Pont de Nemours Powder Company et al., Petitioners, vs. Walter E. Masland et al. Writ of certiorari and return. Filed December 18, 1915.

No. 581 210

NOV 12 1915
JAMES D. MAHER
CLERK

Supreme Court of the United States

OCTOBER TERM, 1915.

E. I. DUPONT DE NEMOURS POWDER COMPANY, and DUPONT FABRIKOID COMPANY,

Petitioners,

vs.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND, and J. WESLEY MASLAND,

Respondents.

NOTICE OF MOTION, MOTION, PETITION, AND BRIEF.

EDWIN J. PRINDLE,
Counsel for Petitioners,
111 Broadway,
Borough of Manhattan,
New York.

WARREN H. SMALL,
JOHN P. LAFFEY,
Of Counsel.

B. H. TYRREL, PRINTER, 206-8 FULTON STREET, NEW YORK.

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United States Circuit Court of Appeals

FOR THE THIRD CIRCUIT.

E. I. duPont de Nemours Powder Company, and duPont Fabrikoid Company,
Plaintiffs-Appellees,

v.

Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland Frank E. Masland, and J. Wesley Masland,
Defendants-Appellants.

Notice.

To the above-named
Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, and
their Solicitor,

Sirs.—Please take notice that the plaintiffs-appellees in the above-entitled cause, E. I. duPont de Nemours Powder Company and duPont Fabrikoid Company, on Monday, the 22nd day of November, 1915, at the opening of Court on that day or as soon thereafter as counsel can be heard, will submit to the Supreme Court of the United States, in its Court Room, in the Capitol Building, in the City of Washington, District of Columbia, the within motion for a writ of certiorari from said Supreme Court of the United States to the United States Circuit Court of Appeals for the Third Cir-

cuit, and that such motion will be made upon the petition and brief hereto annexed and a copy of the record in this cause.

Dated November 5, 1915.

CHARLES N. BUTLER,
Solicitor for Plaintiffs-Appellees,
1318 Land Title Building,
Philadelphia,
Pennsylvania.

SUPREME COURT OF THE UNITED STATES,

OCTOBER TERM, 1915.

E. I. DUPONT DE NEMOURS POWDER COMPANY, and DUPONT FABRIKOID COMPANY,
Petitioners,

vs.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND, and J. WESLEY MASLAND,
Respondents.

Motion for Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

Come now E. I. duPont de Nemours Powder Company and duPont Fabrikoid Company, by Edwin J. Prindle, their counsel, and move this Honorable Court that it shall by certiorari or

other proper process directed to the Honorable, the Judges of the United States Circuit Court of Appeals, for the Third Circuit, require said Court to certify to this Court for its review and determination a certain cause in said Court of Appeals lately pending, wherein the petitioners, E. I. du-Pont de Nemours Powder Company and duPont Fabrikoid Company were appellees, and respondents Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland, and J. Wesley Masland, were appellants; and that pending the final determination in this Court of the questions presented, this Court shall issue an order to said United States Circuit Court of Appeals for the Third Circuit and to the District Court of the United States for the Eastern District of Pennsylvania, directing that all proceedings in this cause be stayed until the further order of this Court; and to that end they now tender herewith their petition and brief with a certified copy of the entire record in said cause in said Circuit Court of Appeals.

EDWIN J. PRINDLE,
Counsel.

SUPREME COURT OF THE UNITED STATES.

E. I. DUPONT DE NEMOURS POWDER COMPANY and DUPONT FABRIKOID COMPANY,
Petitioners,

vs.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND and J. WESLEY MASLAND,
Respondents.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

TO THE HONORABLE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Your petitioners, E. I. DUPONT DE NEMOURS POWDER COMPANY, a corporation organized and existing under the laws of the State of New Jersey, and DUPONT FABRIKOID COMPANY, a corporation organized and existing under the laws of the State of Delaware, and having their principal places of business in the City of Wilmington, State of Delaware, respectfully show:

That this is a suit in equity brought by your petitioners against Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W.

Masland, Frank E. Masland, and J. Wesley Masland, citizens of the United States and residents of the City of Philadelphia, State of Pennsylvania, to restrain the disclosure and use of trade secrets.

The question involved in this petition is one of "due process of law", and it involves the very existence of the whole law of trade secrets. The essence of the matter may be stated in the following questions:

1. Does "due process of law" require that a defendant must be permitted to destroy the subject matter in issue because he believes it will facilitate his defense?

2. Does "due process of law", in a suit to restrain the disclosure and use of trade secrets, require that a defendant must be permitted to disclose the trade secrets in issue because it will facilitate his defense, when such disclosure will destroy the very trade secrets the Court is asked to protect?

Your petitioners allege that Walter E. Masland, the principal defendant below, and one of the respondents herein, is about to disclose and use unlawfully, trade secrets which are their exclusive property, and that the other respondents are lending aid and assistance and are furnishing financial support for the unlawful disclosure and use.

In 1904 said Walter E. Masland entered the experimental laboratories of the predecessors of one of your petitioners as an experimental chemist, and until 1912 he was engaged in confidential experimental and development work of a general nature, at which time he was placed in charge of experimental and development work in connection with "Fabrikoid", a trade name for your petitioner's artificial leather, made of nitrocellulose. His experimental work was performed for the E. I. duPont de Nemours Powder Company at the expense and for the benefit of the duPont Fabrikoid Company, the petitioners herein. All his work was surrounded by every precaution to maintain it in secrecy, and the use of the secrets when perfected was similarly guarded, and the fact that the trade secrets in issue were claimed to be secrets by your petitioners, and that their secrecy was to be preserved, was understood thoroughly by the said Walter E. Masland and all other employees coming in contact with said secrets. The said Masland and his assistants made valuable improvements and discoveries which greatly reduced the cost of manufacturing "Fabrikoid", and improved its qualities, and some of which culminated in the completion of the new and valuable process known as the "No. 2 Process". At the completion of this work the said Walter E. Masland resigned his employment and began the equipment of a factory for the manufacture of artificial leather on his own behalf with the aid, assistance, and financial support of the other respondents; and it is alleged that he has established a plant *only* adapted for and capable of using certain of the trade secrets of your petitioners.

During the argument of an interlocutory motion, respondents stated their intention of disclosing the trade secrets in issue to so-called experts whom they insisted must be persons engaged in the manufacture of artificial leather, and, therefore, business competitors and rivals. Your petitioners immediately urged the grant of a preliminary injunction to restrain said threatened disclosure, which was granted "restraining the defendant from directly or indirectly disclosing any and all processes, etc., in issue herein, claimed to be the property of the plaintiffs", and from disclosing such processes, etc., either "to experts or fact witnesses produced at or during the taking of proofs of trial", but excepting his counsel from the scope of the order. Said Walter E. Masland was also given leave "to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises" and provided "that the protection to be thrown around the taking of proofs, and who shall be permitted to attend thereat, may be agreed upon by counsel or determined by the court at the time such proofs are taken." Defendants-respondents thereafter brought a motion to dissolve the preliminary injunction on the assertion that they could not present their case without such disclosure. This motion to dissolve the injunction was denied by the District Court and defendants-respondents appealed from that decision to the United States Circuit Court of Appeals for the Third Circuit. The opinion granting the preliminary injunction was filed February 25th, 1915, but, owing to an oversight, the injunction order was not actually entered until March 26th, 1915, which happened to be during the trial of the cause. On April 13th,

1915, an order was entered refusing to vacate the preliminary injunction entered on March 26th, and, at respondents' request, a proviso added "that defendants shall not be deprived of the right to examine expert and fact witnesses excepting as to said processes, apparatuses, articles of manufacture, or compositions of matter, or any new or useful improvements thereon in issue herein and claimed to be the property of the plaintiffs."

It will be noted that the motion to dissolve and the order denying the motion contain limitations on respondents never asked for by your petitioners. They were inserted by respondents, as your petitioners presume, solely for purposes of appeal. Your petitioners never have asked, and no order has been entered with your petitioners' consent preventing defendants-respondents from consulting with or examining any person or expert on any subject whatsoever. Your petitioners simply asked that the respondents be enjoined from *disclosing* the trade secrets in issue, particularly to competitors, as such disclosure will destroy the subject-matter of the suit. The trial was adjourned in order that defendants-respondents might appeal to the Court of Appeals from the order refusing to dissolve the preliminary injunction, and such trial has not yet been resumed.

The Circuit Court of Appeals, on July 6th, 1915, filed an opinion and entered an order by his Honor, Judge McPherson, reversing the District Court, and ordering that the decrees of March 26th and April 13th, 1915, of the said District Court be reversed with costs. Your petitioners therefore are presenting this petition for a writ

of certiorari to review the decree of the United States Circuit Court of Appeals.

Your petitioners' affidavits show that one of the alleged experts to whom defendants-respondents wish to disclose your petitioners' alleged secrets, Charles R. Walker, was a former employee of a predecessor of the duPont Fabrikoid Company, one of your petitioners herein, and that the said Walker offered to sell to the said predecessor Company the trade secrets of the Boston Artificial Leather Company with which he formerly had been associated. Defendants-respondents have stated their intention of disclosing the trade secrets in issue to one Arthur S. O'Neill, whom they intend to use as a witness and who was a former confidential employee of the duPont Fabrikoid Company, one of the petitioners herein, and your petitioners' affidavits show that during the trial of the cause the said O'Neill made an offer of employment to one Harry Boice, foreman of the Coating Department of the said duPont Fabrikoid Company (one of your petitioners) to become Assistant Superintendent of a new factory which the said O'Neill was about to start up, and that the said factory is to manufacture artificial leather. Your petitioners' affidavits further allege, on information and belief, that the said Walker and O'Neill are about to go into business together in the manufacture of artificial leather, which allegation is not denied by respondents' affidavits.

Your petitioners' affidavits allege that the defendant-respondent, Walter E. Masland, without a single exception, has more complete knowledge of the subject-matter in issue than any other person known to your petitioners, he being the man

in charge of, and who, with his assistants, developed and completed many of the trade secrets in issue.

In the brief accompanying this petition, the attention of this Court is respectfully directed to the fact that the whole law of trade secrets is at stake in this case. If "due process of law" entitles a confidential employee to disclose the trade secrets of his employer to any one whom he may choose to call as a witness, and as an aid to a fishing expedition for evidence to prove that the alleged trade secrets which he learned in confidence or developed himself are in the realm of public knowledge, then he may *destroy* the alleged trade secrets by making them known to his employer's competitors, and to the world in general, before the Court which is trying the question can determine whether or not an injunction should issue; and thus there is placed in his hands a means of defeating the very object of any trade secret suit, so that employers would be compelled to permit the employee to use the secret, in order to prevent his disclosing it broadcast; all as more fully shown in the brief accompanying this petition.

And your petitioners further aver that the present case is one in which it is proper for this Court to issue a writ of certiorari, for the following reasons, among others:

1. Owners of trade secrets are denied protection for their property. The property right in trade secrets is destroyed by the holding of the Court below.

2. "Due process of law" was held by the Court below to require that a defendant must be per-

mitted to destroy the subject matter in issue on his assertion that it will facilitate his defense.

3. The Court below placed the protection of the trade secrets in issue in the hands of defendants, stating that it reposed implicit confidence in the honor of the defendants to protect the same, when an alleged lack of honor forms the very basis of the suit.

4. The ruling of the Court below is such that it will be impossible for your petitioners to proceed to hearing without having the property destroyed which they seek the aid of the Courts to protect. The question can come before this Court, therefore, only in connection with an interlocutory order.

WHEREFORE, your petitioners pray that this Honorable Court will be pleased to grant a writ of certiorari directed to the United States Circuit Court of Appeals for the Third Circuit, requiring that Court to send a full and complete transcript of the record in the above entitled cause to this Honorable Court for its review and determination.

EDWIN J. PRINDLE,
Counsel for Petitioners.

WARREN H. SMALL,
JOHN P. LAFFEY,
Of counsel.

We hereby certify that we are counsel for the petitioners herein, E. I. duPont de Nemours Powder Company and duPont Fabrikoid Company;

that the allegations of fact contained in said petition are true, and that said petition in our opinion is well founded in law as well as fact.

EDWIN J. PRINDLE,
WARREN H. SMALL,
Counsel for Petitioners.

STATE OF NEW YORK, }
County of New York. } ss.:

EDWIN J. PRINDLE, being duly sworn, deposes and says that he is of counsel for the petitioners herein, E. I. duPont de Nemours Powder Company and duPont Fabrikoid Company; that he is one of the counsel who prepared the foregoing petition for a writ of certiorari, and that the allegations of said petition are true, as he is informed and verily believes.

EDWIN J. PRINDLE.

Sworn to before me this }
29th day of July, 1915. }
AGNES F. MCLAUGHLIN,
Notary Public,
New York County No. 137.
New York Register No. 7090.
[SEAL.]

Supreme Court of the United States.

E. I. DUPONT DE NEMOURS POWDER COMPANY, and DUPONT FABRIKOID COMPANY,
Petitioners,

v.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND, and J. WESLEY MASLAND,
Respondents.

Application for a Writ of Certiorari.

BRIEF FOR PETITIONERS.

Introduction.

This is an application for a writ of certiorari to review a decision of the United States Circuit Court of Appeals for the Third Circuit.

The suit is in equity to enjoin respondents from disclosing and using petitioners' trade secrets. The principal respondent, until just prior to the institution of the suit, was one of petitioners' confidential employees, employed for the sole purpose of devising improvements in petitioners' manufacturing processes and for petitioners' sole benefit. By reason of his confidential position, he had access to all petitioners' trade secrets in the art on which he was engaged. The other respondents

are alleged to be the financial backers and business associates of the principal respondent.

Before trial, respondents claimed the right to disclose the trade secrets in issue to anyone whom they chose in order to facilitate presenting their defense. They claimed the right to disclose the secrets in issue to proposed fact witnesses, or to anyone whom they hoped might become a fact witness. They claimed the right to disclose the secrets in issue to alleged expert witnesses, or to anyone engaged in the trade (and therefore competitors of petitioners) whom they might wish to call under the guise of experts.

Petitioners alleged, and it is not denied, that this disclosure would destroy the secrecy of the trade secrets and therefore the very subject matter the Court was asked to protect. Petitioners alleged further that such disclosure was not necessary, was not warranted under any possible circumstances, and that to permit such disclosure would destroy the entire established law of trade secrets. As to this last allegation. it is clear that the owner of a trade secret would prefer that his secret be used by one dishonest employee, than that the secret be disclosed to all his competitors. If respondents succeed in establishing their contention, therefore, no one hereafter will bring a trade secret suit. The Courts will destroy the trade secret in attempting to protect it.

The Trial Court entered interlocutory orders enjoining this destructive disclosure. The Court of Appeals reversed the trial court. The decision of the Court of Appeals is final. Petitioners either must abandon their suit or see their property destroyed in the attempt to protect it. The question involves not only the trade secrets in is-

sue, but the entire law protecting trade secret property. It involves not only petitioners' laboratory and experimental investment, but the laboratory and experimental investment of hundreds of industries.

The fundamental question is whether trade secret property is to be preserved,—whether considerations of public policy warrant the protection of trade secret property or whether other considerations so overbalance the need for protection of this established property right as to warrant its destruction. The learned Court of Appeals appears to have taken the latter view. The specific question is new. No Court, until the present suit, appears ever to have had the question before it.

Your Honors are asked to consider the question because of its importance to our entire industrial life. The learned Court of Appeals for the Third Circuit has held this destructive disclosure must be permitted, thereby placing in jeopardy fixed property rights which have been acquired under the heretofore established law. The importance of the question does not depend solely, however, upon whether the learned Court below is to be affirmed or reversed. It is of equal importance that the question be settled now by the Court of last resort. If the learned Court below is to be reversed and the property preserved, those who have large investments in this species of property should be assured that their investments are not in jeopardy, in order that the important work of improvement shall not be stopped. If the learned Court below is to be sustained and the property destroyed, those who heretofore have been making large investments

in trade secret property should be warned that their investments are of little value, in order that they may be saved further loss.

The Facts.

Very briefly, the immediate facts present the case of a manufacturer having a large investment in experimental and development laboratories. To make this investment possible, it is necessary to protect any beneficial results obtained, by recourse either to the patent laws or to the heretofore well-established law protecting trade secrets. One of petitioners' confidential employees, a chemist, who was in charge of a laboratory division devoted to experimental and development work in artificial leather, suddenly resigned. It is significant that his resignation was coincident with the completion by him and his associates of new and important discoveries which marked great advances in this art. He admits that he intends to manufacture artificial leather. It is plain that if he be permitted to use new improvements discovered by reason of the investment in laboratories and experimental stations without bearing any of the cost thereof, he can undersell the manufacturer who financed this experimental work just as surely as though he helped himself from the cash drawer of his former employer to finance his undertaking. The cost of experimentation must be borne by the selling price of the product. Even if a cheaper process is devised, the selling price, although lower than the former price, must be greater than it would be if the cost of experimentation did not have to be paid.

This employee (who is the principal respondent) entered petitioners' employ as a young man immediately after leaving college. He was employed by them continuously as an experimental chemist until his resignation,—for eight years on other related subjects, and for the two years or more preceding his resignation as chief of the laboratory division improving artificial leather. Whatever knowledge he has concerning artificial leather, therefore, must have been acquired during his period of employment. This suit was brought immediately following his resignation. The two usual defenses to a contested trade secret suit were raised,—(1) that petitioners' alleged trade secrets were common knowledge and therefore in the public domain; and (2) that respondent did not intend to use any of petitioners' trade secrets. The trial Court believed the latter defense, and relying on the assurance of counsel for respondents that no disclosure would be made (R 24), refused to grant a preliminary injunction.

In the course of interlocutory proceedings, however, it was brought out that respondents did intend to disclose the trade secrets in issue. They then claimed the right to disclose the very matters in issue to expert and fact witnesses generally, in order to assist them to show that the trade secrets in issue were common knowledge. They even claimed the right to disclose the trade secrets in issue to petitioners' competitors. Upon petitioners' pointing out that this would be tantamount to the frustration of the very purpose of the Bill, and a denial of the relief prayed for in advance of a hearing (R 34), the District Court

entered the injunction order of March 26, 1915, enjoining respondents from disclosing the trade secrets in issue (R 35-36). It is evident that without such an order the owner of a trade secret would rather dismiss his suit than go to trial. From a practical standpoint, it is infinitely better that the defendant in a trade secret suit be permitted to use the trade secrets, than to have them disclosed to all the owner's competitors. It would be an empty victory to enjoin a former employee at the cost of educating all competitors. This injunction order of March 26th embodies all the relief which petitioners ask of this Court, and all the relief for which they contended below. It is a plain injunction against a disclosure which will destroy the subject matter in issue.

It will be noted that the injunction order of March 26th grants leave to respondents to move to vacate the injunction if occasion to consult expert witnesses or otherwise arises. It had become plainly evident during the course of argument that petitioners would be compelled to dismiss their suit if the disclosure was permitted for which respondents contended. Respondents promptly and vigorously moved to vacate the order, supporting their motion by affidavits alleging that they were handicapped in the presentation of their case by reason of the order of March 26th (R. 36-39). No sound reason is advanced for the vacation of the order, respondents relying upon their assertion as conclusive. The record is barren of any fact adequate to necessitate the destruction of the property in issue. The Court entered a *pro forma* decree on April 13, 1915, denying the motion to vacate (R., 74-75). It will be noted that this *pro forma* decree, following respondents' motion to

vacate, goes beyond the scope of the order of March 26th. The *pro forma* decree not only prohibits **disclosure** of the trade secrets in issue, but also precludes respondents from **consulting** with and **examining** witnesses, concerning the trade secrets. **Petitioners never have asked and do not ask for this prohibition as to consultation and examination (R., 42).** They ask merely that respondents be enjoined from **disclosing** and thereby destroying the trade secrets in issue. They contend and always have contended that respondents have the right to consult and examine any person on any subject, with the sole restriction that they do not disclose the trade secrets in issue. In other words, respondents can examine anyone and consult with anyone concerning any knowledge which that person may have, and can produce him as a witness to testify concerning that knowledge, but they should not be permitted to go to a competitor, disclose all petitioners' secrets to him, and then ask whether he has any information which will tend to show that the secrets are common knowledge. It is evident that petitioners' competitors would pay gladly for the privilege of being witnesses under such circumstances.

Respondents appealed from these two orders to the United States Circuit Court of Appeals for the Third Circuit, which reversed both orders. Although petitioners presented as forcibly as possible, both in their briefs and at the argument, the fact that they were not responsible for the consultation and examination feature of the *pro forma* order of April 13th, but asked only for the affirmance of the disclosure feature in the order of

March 26th, the learned Court, in its Opinion, appears to have considered only the order of April 13th. The gist of the Opinion, as understood by petitioners, seems to be that the *pro forma* order of April 13 is too restrictive; and that between the conflicting interests of petitioners and respondents, that of respondents is paramount; that it is better to destroy trade secret property than place any restriction on a defendant in presenting his defenses. The learned Court of Appeals, as understood by petitioners, appears to proceed on the theory that since in ordinary litigation a defendant is not restricted, no situation can arise where justice demands some restriction. The Court did not pass directly on any of the questions raised by petitioners except to state on the general question of disclosure "it appears to be inevitable that to some extent a preliminary disclosure must be permitted." Petitioners reply that many well-recognized restrictions are placed on both parties to a cause when conditions warrant. The question of law presented, therefore, may be said fairly to be whether conditions in a trade secret case warrant the restriction embodied in the order of March 26th. The order of April 13th is too restrictive and should be reversed in part, and the proper line drawn. Petitioners maintain that the disclosure for which respondents contend is not necessary; that respondents can present all their defenses fully and completely without such disclosure; and that to permit this disclosure would destroy well-established property rights sanctioned by public approval. Petitioners also maintain that no facts have been presented showing the necessity for disclosure, and that no circumstances possibly can arise necessitating disclosure.

Orders in Issue Interlocutory.

The orders before the Court for review are interlocutory. But petitioners cannot proceed under the present situation. The learned Court of Appeals holds that the trade secrets in issue must be disclosed. If petitioners go to trial, it will be at the penalty of the destruction of their trade secrets. If petitioners should go to trial and obtain a decree, it would be an empty victory. And a decree either for petitioners or for respondents would not present the issue here presented. It therefore is only in an interlocutory form that this question can be presented to this Court. The power of this Court to issue a writ of certiorari to review a decree of a Circuit Court of Appeals from an interlocutory order has been considered, and decided affirmatively in cases where "it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the case" (*American Construction Co.* v. *Jacksonville T. & K. W. R. Co.*, 1893, Mr. Justice Gray, 148 U. S. 372, 384; 37 L. Ed. 486-491). In a later case the Court cited with approval the American Construction Company case, although it refused to issue a writ of certiorari to review an interlocutory decree in the case before it, on the ground that there was a plain and equally adequate remedy by appeal or otherwise (*re Tampa Suburban R. Co.*, 1897, Mr. Chief Justice Fuller, 168 U. S. 583, 587-8; 42 L. Ed. 589). In the present case, there is not the "plain and equally adequate remedy by appeal or otherwise" referred to by the Court in the *re Tampa Suburban R. Co.* case (in fact, there is no further appeal or remedy of which petitioners have any knowledge) and it is

submitted that we have for determination the "extraordinary inconvenience and embarrassment" mentioned in the *American Construction Company* case. Unless this Court reviews the matter, petitioners are faced with the alternative of having their trade secrets destroyed in the process of trying to protect them, or of dismissing their suit and permitting respondents to utilize the trade secrets without let or hindrance. And, as pointed out above, the question is of importance not only to the private parties now before the Court, but to every industrial organization which has investments in trade secret property. If their investments are safe, they should have their present anxiety relieved in order that the work of improvement shall not cease; and if their investments are not safe, they should be advised promptly in order to prevent further loss.

Trade Secret Property.

We desire to refer briefly to the reason for the protection of trade secret property, to the precarious nature of trade secret property, to its legal history, and to the fallacy of respondents' contentions.

Our system of law contemplates the protection of the results of creative ability on the theory that this protection affords a stimulus to creative work which redounds to the benefit of all the people. This Court, speaking through Mr. Chief Justice Fuller, said, in a *trade secret* case:

> "The policy of the law is to encourage useful discoveries by securing their fruits to those who make them."
>
> (Fowle *v.* Park, 131 U. S. 88).

It said in a patent case, speaking through Mr. Justice McKenna:

> "We have seen that it has been the judgment of Congress from the beginning that the sciences and the useful arts could be best advanced by giving an exclusive right to an inventor."
>
> (Continental Paper Bag Company *v.* Eastern Paper Bag Company, 210 U. S. 405, 429).

Thus we have patent laws, copyright laws, and the well-established principle of property right in trade secrets. The property right in a trade secret is somewhat similar to the property right covered by a common-law copyright of unpublished matter. The analogy is close. On the other hand, although the fundamental reason for granting patent protection and for granting protection to trade secret property is the same, the rights and remedies afforded by the patent law are entirely different from the rights and remedies granted by the law heretofore upholding trade secret property. This fundamental reason for each rests on the fact that he who creates can benefit his fellowmen only by **disclosing** or by **using** what he has created.

Patent protection provides a reward only for disclosure. If the inventor files in the Patent Office a written description of his invention in such full, clear, concise, and exact terms as to enable any person skilled in the art or science to which it appertains to construct, compound, make, and use the same (Sec. 4888 R. S.), he is granted a monopoly for seventeen years. It is not necessary that he use or utilize his invention in the

slightest degree. (*Bement* v. *National Harrow Company*, 186 U. S. 70, 90; 22 Sup. Ct. 747; 46 L. Ed. 1058). *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405; 28 Sup. Ct. 748; 58 L. Ed. 1122. He need only disclose it in the manner provided by Statute.

Trade secret protection, on the other hand, provides a reward only for use. No monopoly is granted for a term of years, and the inventor is protected only against theft and against those to whom he discloses the invention in confidence. No one will deny that the inventor of a trade secret should be protected against theft; and as the inventor necessarily must disclose his invention to workmen to aid him in utilizing his invention commercially, the law protects this confidential disclosure in order that the public may be benefitted by use under commercial conditions. This latter protection really is an application of the law of specific performance. The employee has an express or an implied contract that he will not disclose, and the Courts enforce this contract. In a leading *trade secret* case, Merryweather *v.* Moore (1892), 2 Ch. 518 (Ch. Div.), the Court said:

> "It is sometimes difficult to say whether the court has proceeded on the implied contract or the confidence, for I will put aside once for all any cases arising on express contract. Perhaps the real solution is that the confidence postulates an implied contract; that, when the court is satisfied of the existence of the confidential relation, then it at once infers or implies the contract arising from that confidential relation—a contract which thus calls into ex-

ercise the jurisdiction to which I have referred."

Public opinion recognizes that public welfare is benefitted by the preservation of this property right in trade secrets. The development of a trade secret benefits the public by providing it with better goods at a cheaper price, and if it involves new processes of manufacture, it affords lucrative employment to a large number of people.

Although patent protection is to stimulate disclosure, and trade secret protection is to stimulate use, the nature of the right granted differs greatly.

A patentee has absolute protection against **subsequent** inventors for seventeen years. Only a prior inventor, or a prior public use, or prior knowledge, can divest him of his right. For seventeen years he can prevent anyone from making, using, or selling his claimed invention, no matter whether the same be discovered independently, brought in from abroad, or obtained in any way.

The property right in trade secrects, on the other hand, is most precarious. A subsequent independent inventor has as full rights as the first inventor, and if the second inventor chooses to apply for and obtains patent protection, he even can exclude the prior trade secret owner during the life of the patent. The owner of a trade secret may be divested of his property at any time by any of the following means:

1. By a disclosure not under pledge of secrecy;
2. By an accidental disclosure;
3. By an independent discovery;

4. By the bringing in of the subject matter from abroad;
5. By ascertaining the trade secret in any way not involving theft or breach of confidence; as

   a. By analysis——
   b. By ascertaining the amount and nature of purchases of ingredients made by the owner of the trade secret—or
   c. By shrewd guess-work.

The owner of a trade secret has protection against only three classes of persons: (1) against one who steals the trade secret from him or obtains it by unfair means; (2) against one to whom the trade secret has been disclosed in confidence and who attempts to betray the confidence placed in him; and (3) against one who is employed to devise new improvements for the benefit of his employer, and is under contract, express or implied, not to disclose the results of his labors. In other words, every trade secret case has fraud as its main issue. **Against the honest and the trustworthy the law of trade secrets does not apply.**

Mr. Nims in his valuable book on Unfair Competition devotes a chapter to "Trade Secrets and Confidential Relations." Under the head of "Discovery of a Secret by Lawful Means" (§ 213) Mr. Nims says:

> "When the secret information becomes known to the defendant through his own efforts, no action lies against him. He has a right to discover for himself the ingredients of a secret medical formula by study of the medicine itself, if it be sold pub-

> licly, or he may discover the secret of a method of manufacture from a study of the manufactured article. If he acquires the hidden information honestly, he may use it as he will, assuming of course there is no question of patent; but a discovery of a secret by unfair means, such as bribing a clerk of the owner of the secret, or stealing or copying the information from the owner will not be protected." (Nims on Unfair Business Competition, p. 426.)

As indicating still further the very precarious nature of trade secret property and the limited rights an owner has even under the present established law, we might refer to the supposititious case of one who purchases a trade secret from a confidential employee. If the purchaser could show that he had no knowledge of the breach of confidence, his equity would be equal to that of the owner, and the Court might refuse to enjoin.

It would seem to be clear, therefore, that the rights of the owner of a trade secret are so restricted and are so precarious that general rules of law will not always be sufficient to protect the property. If the property is to be preserved, the Courts must deal with the rights of the parties with a breadth of understanding consonant with the fundamental principles of public policy on which the property right is founded. If general rules are not sufficient, the question of departure therefrom must be considered, with public benefit as the acid test to be applied.

History of Trade Secret Protection.

The first trade secret cases were brought in England a century ago. One of the earliest is

Newbery v. *James*, Eldon, L. Ch., 2 Merivale, 446. The Court attempted to deal with these cases in accordance with general principles of law, which resulted in a complete failure of justice. The Court held it could not protect the trade secrets without disclosing them; that therefore a trial was futile; and dismissed the bill. The increasing public sentiment in favor of protection for trade secret property, and the necessity for its protection becoming so apparent, led the Court to devise a way to protect this property in spite of the general principles applied to ordinary litigation. Since 1820, therefore, and starting with the case of *Yorvatt* v. *Winyard* (Eldon, L. Ch., 1 Jacob & Walker, 394) the Courts have made an exception of this class of cases, and we have practically an unbroken line of authorities sustaining trade secret property. Trials *in camera* and sealed records have been the means employed.

In the case at bar, however, respondents have stumbled on a new defense which, if sustained, places the law of trade secrets in the same condition in which it was previous to *Yorvatt* v. *Winyard* (*supra*). Until 1820, the owner of trade secrets was remediless, because to attempt to protect his right meant destructive disclosure. If the learned Court of Appeals is to be sustained, the year 1915 will mark the year when the owner of a trade secret again became remediless, because to attempt to protect his rights will mean destructive disclosure. Surely the law will not slip back almost a century in its just protection of trade secret property for any such reasons as have been advanced by respondents.

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Power of the Court to Protect Trade Secret Property.

The law never has hesitated to accept modifications to the general rule when new conditions arise. The protection of intangible property rights, of which trade secret property is an example, was the result of a gradual change in social and business conditions. And when society became sufficiently complex (and perhaps insistent) to render it necessary to protect this class of property, the Courts found a way to do it. In the present case, however, we have not the situation of a new property right which the Court is asked to recognize and take under its protection; the Court is not asked to determine whether changed conditions warrant a change in the law; but petitioners are in the extraordinary position of urging that the settled law be not overthrown, that established property rights, recognized and protected for almost a century, be not destroyed. And petitioners are urging this, not against public opinion or public welfare, but against a defendant charged with unfair methods—who says this destruction is necessary to enable him to prove that certain matters are **public knowledge.**

The Court clearly has the legal right to protect this property, and to prevent this destructive disclosure. It is within its inherent powers, particularly when sitting in equity. Courts exclude the general public from certain criminal and other proceedings on the ground of public policy. They exclude witnesses from the Court Room in order to insure a fair trial. They grant preliminary injunctions to preserve conditions in *statu quo* un-

til the matter can be determined at final hearing. It has been the practice for almost a century to hold trials *in camera* in trade secret cases and to seal the evidence. In cases where defendants have not denied that the matters in issue are trade secrets, disclosure to the Court is not even necessary. And in trade secret cases in which a preliminary injunction has been issued, the defendants have been prohibited positively from making the disclosure contended for here.

There are many cases where the confidential communications protected by the law would be of vital aid to one of the suitors, and in which their admission or rejection determines whether the suitor's case stands or falls. Among these may be mentioned professional communications, awards, matters relating to the public defense, and matters of state. No matter how important the disclosure would be to a private litigant, he must stand aside for reasons of public policy and for the general good.

In the present case it doubtless would be of assistance to petitioners if they could compel counsel for respondents to testify as to what the principal respondent has communicated to his counsel, but by reason of the greater harm to the community as a whole, than benefit to petitioners, the law excludes these confidential communications. It works a hardship and handicap upon petitioners, but it must be borne to avoid the greater harm to the community at large. So, in the case at bar, it may be true that respondents could prove their case a little more conveniently and with less labor if they could disclose petitioners' secrets to expert and fact witnesses, but if they are permitted to do so, it will work immeasurable harm to the com-

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munity by destroying the property right in trade secrets. It would be useless to bring suit to protect trade secrets, because they would be made public by the very proceeding in which it was sought to preserve them. The result would be the wholesale destruction of an incalculable amount of industrial property, for undoubtedly most industries have trade secrets which have been developed at the expenditure of time, money, and experimentation. Many of these secrets, such as chemical processes, would lose their value if patented, because they could be used so that it would be impossible to obtain evidence of infringement. The development of such trade secrets gradually and constantly improves the arts to which they relate, and the public is benefitted greatly thereby, either in improved products, reduced cost of production, or in products which they otherwise would not have. Public policy requires that the inducement shall be preserved to develop trade secrets, which is the assurance that the law will prevent their use or disclosure in violation of common standards of honesty and fair dealing.

Other instances where the convenience of the individual suitor must give way to other considerations, are found in applications for a discovery or for a bill of particulars. Many limitations are placed on these applications even though the information asked would facilitate the conduct of the case. And such limitations are not based on the serious question presented in the present case, destruction of property, but largely on justice to the other party. Thus a party will not be compelled to disclose matters of evidence. Neither will the courts grant an order for a fishing excursion, as to ascertain whether the applicant has

a cause of action, or a defense, or in anticipation of defense. (Encyclopædia of Pleading and Practice, Vol. 6, p. 792, Section IV, 3.) We have here not only the injustice of permitting respondents to go on a fishing excursion in an attempt to justify the use of knowledge which they received in perfected form from petitioners; not only the injustice of permitting respondents to disseminate petitioners' trade secrets among their competitors (*the future use of which secrets petitioners will be unable to stop in view of the "independent invention" and similar defenses*); but also the destruction of property which has been acquired by expenditures heretofore protected by the established law.

Although the present situation never appears to have arisen previously in trade secret cases, the Courts have not been blind to the injustice of permitting disclosure of private inventions. In patent infringement suits, an inspection of defendant's alleged infringing apparatus is not permitted unless first a *prima facie* case of infringement is made out. The following quotations indicate the judicial thought on this question:

> "It is a serious thing to direct a manufacturing corporation to allow the attorney and agents and experts of a rival concern to enter its plant and inspect and measure its machinery and the operation thereof and compel it to furnish samples of its stock and product. 'Suspicion' of infringement is not enough to justify such an order as is asked for, and I decline to follow Rowell *v.* William Koehl Co. (D. C.), 194 Fed. 446, 447, where it is indicated that 'suspicion of infringement' will justify an order of inspection. A *prima facie* case made by tak-

ing testimony and concealment by defendant of its alleged infringing devices, or of plans, drawings, and documents would justify such inspection. This is the doctrine of Dobson *v.* Graham (C. C.), 49 Fed. 17, and Diamond Match Co. *v.* Oshkosh Match Works *et al.* (C. C.) 63 Fed. 984, 985. In Diamond Match Co. *v.* Oshkosh, etc., *supra*, the court said:

> "'The complainant is not entitled to the aid of the court, upon the suspicion or an allegation of infringement, to pry into the business operations or appliances of the defendants, either to the end of making out a case against them, or for any other object. The defendants are entitled to protection in their rights and property, and will not be required to make premature disclosures of their matters of defense.'"

"And in Dobson *v.* Graham, *supra*, the court said:

> "'Complainant will not be granted an inspection of machinery of defendant kept in secret, and claimed to embody important secrets, when complainant produces no evidence tending to show that it infringes his patents.'"
>
> (Eibel Process Co. *v.* Remington-Martin Co., D. C. N. D. N. Y. July 13, 1912, Ray, D. J., 197 Fed. 760, 763).

"They now move the court to order that the defendants do permit a full and thorough inspection of their manufactory, situate in Newark, N. J., and of all their machinery, and of all their processes for the manufacture of the rasps or files made by them, and which files and rasps, and processes and machines, the complainants allege, infringe their letters patent. The defendants, in their answer, deny infringe-

> ment, and furthermore assert, under oath, *that rasps have been manufactured by them, by a peculiar process, not patented, but kept as a secret in their business, since 1836;* and they produce files and rasps before the court, which, as shown by affidavits uncontradicted, were made many years before the letters patent in question were issued, and which to the eye, at least, seem to be entirely similar to those now made by the complainants. Under these circumstances, to compel the defendants to open their manufactory to hostile inspection of rivals in business, and to disclose the character of the machines and the process by which for so many years they have made a successful article of merchandise, would be unjust and inequitable. The motion is too obviously the excuse for a 'fishing excursion,' and does not, under the circumstances of this case, commend itself to the court. It is therefore denied." (Stokes Bros. Manuf'g Co. *v.* Heller *et al.*, C. C. D. N. J., May 16, 1893, Green, D. J., 56 Fed. 297-8) (Italics ours).

It will be seen that the inspection condemned above is exactly on a parity with the disclosure contended for by respondents. To permit respondents to disclose to competitors what the principal respondent has learned by reason of his confidential relations with petitioners is exactly the same as though these competitors were permitted to inspect petitioners' plant. What possible difference can there be between the principal respondents' explanation and disclosure of everything in the plant, and an inspection of the plant itself. The disclosure probably would be the more harmful to petitioners, as the principal

respondents' expert and intimate knowledge of every detail of development, experimentation, and practical work would divulge far more than a mere examination of processes and machines in use.

The justice of the protection of secret inventions or discoveries also is recognized by Statute. In providing punishment for disobedience of subpœnas or for refusal to testify, in interference cases, the following exception is found in the Revised Statutes:

> SEC. 4907. "* * * But no witnesses shall be deemed guilty of contempt * * * for refusing to disclose any secret invention or discovery made or owned by himself."

To permit respondents to disclose the trade secrets in issue as a mere matter of convenience is to injure the community by depriving individuals of the incentive to improve, particularly in fields where the patent laws will not afford adequate protection. It follows that public policy requires that trade secret cases be so conducted as to avoid the destruction of the secrets themselves, and this necessitates that a defendant be prevented from disclosing such secrets to his witnesses.

We submit, therefore, that the preliminary injunction of March 26th, forbidding respondents to disclose the trade secrets in issue to their witnesses, is entirely analogous to the principles set forth above and is based upon sound public policy.

Due Process of Law.

"Due process of law" does not require or permit defendants to disclose plaintiffs' secrets to expert or fact witnesses, or persons used in an advisory capacity, except counsel. Due process of law is thus defined, (8 Cyc. 1080):

> " 'Due process of law' *in each particular case* means such an exertion of the powers of government as the settled maxims of the law permit and sanction, and *under such safeguards for the protection of individual rights* as those maxims prescribe *for the class of cases to which the one in question belongs.* It has also been defined as * * * An orderly proceeding *adapted to the nature of the case,* in which the citizen has an opportunity to be heard, and defend, enforce and protect his rights." (Italics ours.)

Considering the "nature of the case," due process of law certainly requires that the property in issue (the trade secrets) be preserved from destruction by the very proceeding intended to protect them, and this requires that defendants be restrained from disclosing those secrets. Otherwise, the trial would lead to the "flat absurdity" mentioned in the opinion of the District Judge (Tr. p. 74).

Although the exact point in issue appears never to have been raised before, the nearest case is that of Taylor Iron & Steel Co. *v.* Nichols, 69 Atl. Rep. (1908), by the Court of Appeals of New Jersey. Mr. Justice Swayze, speaking for the Court, said, in a trade secret case:

> "For the protection of the complainant, the usual course is to take the evidence as

> to the secret in camera, as was done in Stone *v.* Grasselli Chemical Co. *Every one may be excluded except the parties, both of whom must already know the secret, and their counsel, who must have been apprised thereof. When, as in this case, a third person, to whom the secret has not yet been disclosed, is a party, he may well be excluded without injustice.* It is not necessary to embody the description of the secret in the injunction itself. The testimony taken in camera may be sealed, and used only when it becomes necessary to determine whether there has been a violation." (Italics ours.)

In this case, the prohibition was not only broad enough to include expert and fact witnesses, but it even included one of the parties to the suit (who had been trying to hire the confidential employee of the plaintiffs, but who did not know the trade secret).

We therefore submit that due process of law does not entitle respondents, as a matter of right, to disclose petitioners' secrets to expert or fact witnesses, or to anyone except their counsel and the Court.

Leading Cases on Trade Secrets.

Since 1820 (Yorvatt *v.* Winyard, 1 Jacob and Walker, 394) the Courts of England and of the United States have protected trade secret property. In France, one who discloses a trade secret is punished by fine, imprisonment, and police surveillance. (Penal Code, Sec. 418). Among well known leading cases in England may be mentioned Morrison *v.* Moat, 9 Hare, 241 (21 L. J. Ch. 248). The Court there said:

> "The principles that were argued in this case are principles really not to be called in controversy. There is no doubt whatever that where a party who has a secret in a trade employs persons under contract, express or implied, or under duty express or implied, those persons cannot gain the knowledge of that secret and then set it up against their employer."

In the United States, a leading case often referred to is *Peabody et al.* v. *Norfolk et al.*, 98 Mass. 452 (Mr. Justice Gray). The case of *Solomon* v. *Hertz*, 40 M. J. Eq. 400, 2 Atl. Rep. 379, is cited as one of the two leading cases by the Supreme Court of Pennsylvania in *Frelich* v. *Despar*, 165 Pa. St. 25; 30 Atl. Rep. 521. A case which is on all fours with the present case is *Eastmann Co.* v. *Reichenbach et al.*, 20 N. Y. Sup. 110, affirmed without opinion 29 N. Y. Sup. 1143. Petitioners cite these few cases as indicative of the law as heretofore established. It is not the intention in this brief to present in full the merits of petitioners' case, that being reserved for presentation if the Court is of opinion that the subject is of sufficient importance and contains sufficient merit to warrant the issuance of its writ of certiorari.

Fallacy of Respondents' Position.

Petitioners desire to refer briefly in conclusion to what they believe to be the fallacy of respondents' position. Respondents allege that the trade secrets in issue are common knowledge and therefore in the public domain. The principal respondent swears positively that the trade secrets are

well known to the trade (R. 17). He alleges he knows they are public knowledge and yet he says he cannot prove that they are public knowledge unless first he discloses them to his witnesses. No reason is given nor has any been produced in the Record to show why, if a certain formula is well known in the trade, witnesses cannot be placed on the stand to testify concerning this formula. Petitioners never have been able to understand why an existing fact cannot be proved without first disclosing the matters in issue. Respondents appear to hold that no case can be presented to a Court without the aid of **leading questions.** What respondents wish to prove are facts. These facts relate to common knowledge on certain subjects. For counsel to allege that he cannot place a witness on the stand to testify as to facts within the knowledge of that witness without first unbosoming himself to that witness is an unusual position to take. It has been our experience, for example, that a Court not infrequently, by a series of questions, ascertains exhaustively what counsel knows concerning the facts of a case and his opinion of the law relative thereto without any disclosure on the part of the Court as to its own opinion, knowledge, or attitude. Not only have no facts been presented warranting the destructive disclosure contended for by respondents, but no possible contingency has been suggested where this disclosure might be necessary. Petitioners are prepared to show, as they have done in the Court below, that no contingency can arise necessitating such disclosure. Respondents do not need an expert, for the principal respondent knows more concerning the trade secrets in issue than any other one man. (R. 42-43, 46-48).

If the trade secrets in issue are identical with common knowledge as alleged by the principal respondent, the question of fact is simple and no expert is needed. No question as to equivalency, which often is an important question in patent cases, can form a material issue. If the public-knowledge formula is the same as the trade-secret formula, the issue is closed; the formula is *not* a trade secret. If the public-knowledge formula is *not* the same as the trade-secret formula, but defendants-respondents allege that they are equivalents and that they want to use the trade-secret formula because it is better, it is perfectly clear that they should not be allowed to do so. The trade-secret formula, if it is better, should be protected as such. The question of invention is not involved in the present situation. Again, if the trade-secret formula is *not* the same as the public-knowledge formula, but defendants-respondents allege they are equivalents and that both are equally efficient, they are at perfect liberty to use the public-knowledge formula and should have no desire or wish to use the trade-secret formula. Thus under every possible circumstance, no need for disclosure occurs. As to fact witnesses, any existing common knowledge fact certainly can be adduced on the witness stand without a previous disclosure of the trade secrets in issue.

It would appear that what respondents really wish to do is to go on a fishing excursion. They wish to obtain permission to take the trade secrets in issue and disclose them to the trade in the hope of finding something which will enable them to use the valuable trade secrets they obtained in confidence from petitioners. Respondents, unless enjoined, even could advertise in the paper the list

of trade secrets and a detailed description of each of them. If the matters in issue really are common knowledge and so well known, it would seem as though respondents should have not the slightest difficulty in adducing proof thereof. As to respondents' denial that petitioners have trade secrets, the Court well might take judicial notice in the present case, as did the Court in *Eastman* v. *Reichenbach et al.* case, (*supra*), "that discoveries and inventions unknown to the public at large constitute the foundation upon which that business rests" (p. 112). It also is a matter of common knowledge that a laboratory division would not be maintained for several years if it produced nothing.

As to respondents needing an expert, it is plain that the defendant in a trade secret case always has full and expert knowledge of the trade secrets in issue; otherwise he would not be a defendant. The owner of a trade secret certainly would not try to enjoin a defendant from disclosing and using a trade secret concerning which the defendant had not such full and complete knowledge as to make disclosure and use imminent.

Aside from the firm conviction that these respondents intend to use petitioners' trade secrets unfairly, petitioners cannot judge of respondents' motives. Without imputing bad faith in this particular connection therefore, it can be said justly that if respondents were endeavoring to force a dismissal of the suit without a fair trial, they could not have proceeded to better advantage. To sustain their contentions, even though honestly made, would be to provide every weak or dishonest employee in the future with a complete defense to a trade secret case.

On the question whether any disclosure is necessary in a trade secret case, it is evident that, on principle, the owner of a trade secret is entitled to protect its disclosure against the entire world. When he is faced with the theft of his trade secret and applies to the Courts for protection, he is obliged, however, to give up part of his absolute right against disclosure. Where should the line be drawn? It is admitted that the owner must waive his right so far as the Court itself is concerned; otherwise there could be no fair adjudication. It is admitted that the owner must waive his absolute right as to a sworn officer of the Court to act as counsel for defendant in order that defendant's case may be presented skilfully; otherwise defendant would be placed under such a serious disadvantage as to prevent the doing of justice. But here the line should be drawn. It is submitted that the owner of a trade secret should not be compelled to waive further his right against disclosure, as the price of protection against *mala fides*. Of course, if the Court desires the services of an expert to aid it in arriving at its conclusion, such disclosure would be necessary and proper. To permit a defendant to disclose the secrets in issue to any person other than the Court and his counsel is unnecessary and destructive of the property right before the Court. A trade secret known to a dozen, would be no secret at all.

If it be a question of fact as to whether disclosure should be granted in any particular case, the Record fails to show any reason for disclosure. Respondents assert disclosure is necessary, and the learned Court of Appeals adopts their asser-

tion as a conclusion. We have been unable to find any facts set forth in the Record warranting the reversal of the Order of March 26th. As between the parties, we have the property right of petitioners against the individual convenience of respondents in proving what they allege to be common knowledge. Even admitting that it may take counsel for respondents a little more time in his preparation for trial to ascertain what his proposed witnesses may know, it is submitted respectfully that this is no reason for destroying established property rights. Certainly this property right should not be destroyed unless on reasons so clear as to make any other construction of the law inadmissible.

The first successful defense of trade secret cases was **disclosure** by trial in open Court. Public opinion induced the Courts to overcome this illegitimate defense by adopting a trial *in camera* and a sealed record. The new and present defense likewise is **disclosure.** The method of presenting this new defense is ingenious, but it is no less illegitimate than its earlier brother. In both cases disclosure will be a complete defense to the dishonest. In both cases disclosure destroys the property. The Courts for nearly a century have recognized the illegitimacy of the first disclosure defense, and it is submitted respectfully that this Court should recognize the illegitimacy of the new disclosure defense. When once the peculiar and hazardous nature of trade secret property is recognized; when once the reasons for sustaining this property are recognized; the broad principles of public policy and public welfare predominate so clearly that the new disclosure defense necessarily must be relegated to its proper place beside the

first disclosure defense. Neither has any place in our system of jurisprudence. If the interlocutory order of March 26, 1915, is to be reversed, further expenditure along the line of development and experimentation is useless. Any confidential (supposed) employee having knowledge of the results of the experimental and development work would be free to utilize the same, not only without cost, but after having been paid while he was acquiring the information. If the Courts are appealed to for protection, the employee will threaten to disclose the secrets to competitors on the ground that it is necessary to aid him in presenting his defense. Under such circumstances it would be futile to proceed.

Opinion of the Court of Appeals.

With the utmost respect for the learned Court below, we feel compelled to suggest that possibly its opinion was based on a misapprehension of the nature of trade secret property and the rights and liabilities of an owner thereof. The learned Court lays emphasis twice on the necessity of disclosing trade secrets to the defendant. As we have pointed out above, a defendant **necessarily** must know the trade secrets; otherwise he would not be a defendant. The owner of trade secret property can protect his rights only against one who has stolen the trade secrets from him or against one who is about to disclose or use them in betrayal of confidence placed in him. We desire also, but most respectfully, to call the attention of this Court to the following extract from the opinion of the learned Court of Appeals:

> "We will only add that we repose implicit confidence in the honor of defendant

> and his counsel that in the preparation and the conduct of his side of this difficult case they will impress strongly on such of their witnesses as must of necessity learn something of the subject-matter the serious obligation these witnesses assume to preserve inviolate the secrecy of these processes until their true character shall be finally determined."

Now when it is considered that a trade secret case cannot be sustained unless it be proved that the defendant is without honor (that either he has stolen the trade secrets or is about to disclose or use them in breach of confidence) it would not seem that the learned Court should determine before trial the main issue of the case by reposing implicit confidence in the honor of the defendant. Petitioners have placed their property under the protection of the Court because they believe the principal respondent is without honor. Yet the learned Court appears to take the property placed under its protection and place it in the care and custody of respondents with the finding that their honesty is established.

It will be noted, moreover, that the learned Court below directs its opinion to the Order of April 13th and holds that the respondents would be unduly hampered by such an order. Petitioners agree that such is the case. The hampering features of this Order of April 13th as to consultation and examination are not present with the approval of petitioners. The Court below was asked by petitioners only to affirm the Order of March 26th, and to affirm the Order of April 13th only in so far as it provides that the Order of March 26th shall stand. See affidavit of Edwin J. Prindle, as follows:

> "That plaintiffs never have asked and no order has been entered preventing defendants from consulting with any person or expert. That they were enjoined simply from *disclosing* the trade secrets in issue, particularly to competitors, as such disclosure will destroy the subject-matter of the suit." (R. 42).

Your Honors will find this additional matter appearing for the first time in respondents' motion to vacate (R. 36-37) and the order entered thereon (R. 74-75).

As to the property rights of petitioners in whatever was accomplished by the principal respondent during his period of employment as an experimental chemist engaged solely in experimental and development work, we desire only to insert the following quotation from a decision of this Court:

> "An employee, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. There is no difference between the Government and any other employer in this respect. But this general rule is subject to these limitations: If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer. Whatever rights as an individual he may have had in and to his inventive

powers, and that which they are able to accomplish, he has sold in advance to his employer." (Solomon *v.* United States, 137 U. S. 342, 346).

Conclusion.

It is submitted respectfully that a situation has been presented of such importance to all classes of people as to warrant the issuance of a writ of certiorari. The entire law of trade secrets is in jeopardy by an ingenious defense which has been sustained by the learned Court of Appeals on the ground that general legal principles necessitate the destruction of trade secret property. Respondents and the learned Court of Appeals say petitioners must take the risk of this destruction if they apply to the Courts for relief. If such is the case, it is submitted respectfully that our system of jurisprudence is inadequate to protect fully the public interest. In order to establish that such is not the fact, the attention of this Court respectfully is directed to the present case.

Respectfully submitted,

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Supreme Court of the United States

OCTOBER TERM, 1916.

No. 210

E. I. DUPONT DE NEMOURS POWDER COMPANY, and DUPONT FABRIKOID COMPANY,

Petitioners,

vs.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND, and J. WESLEY MASLAND.

Respondents.

BRIEF FOR PETITIONERS.

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Supreme Court of the United States.

E. I. DUPONT DE NEMOURS POWDER COMPANY, and DUPONT FABRIKOID COMPANY,
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WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND, and J. WESLEY MASLAND,
Respondents.

BRIEF FOR PETITIONERS.

Introduction.

This case is before the Court by virtue of a writ of certiorari granted to review an order of the United States Circuit Court of Appeals for the Third Circuit, reversing a preliminary injunction order, and a so-called *pro forma* decree refusing to dissolve the preliminary injunction order, both entered by the District Court of the United States for the Eastern District of Pennsylvania.

The suit is in equity to enjoin respondents from disclosing and using petitioners' trade secrets.

The principal respondent, until just prior to the institution of the suit, was one of petitioners' confidential employees, employed for the sole purpose of devising improvements in petitioners' manufacturing processes and for petitioners' sole benefit. By reason of his confidential position, he had access to all petitioners' trade secrets in the art on which he was engaged. The other respondents are alleged to be the financial backers and business associates of the principal respondent.

Before trial, respondents claimed the right to disclose the trade secrets in issue to anyone whom they chose in order to facilitate presenting their defense. They claimed the right to disclose the secrets in issue to proposed fact witnesses, or to anyone whom they hoped might become a fact witness. They claimed the right to disclose the secrets in issue to alleged expert witnesses, and particularly to persons engaged in the trade (and therefore competitors of petitioners) whom they might wish to call under the guise of experts. And not only did they claim the right to disclose the secrets in issue to proposed or actual witnesses, but also to persons who they might think would be helpful in preparing their defense and who would not be used as witnesses.

Petitioners alleged, and it is not denied, that this disclosure would destroy the secrecy of the trade secrets and therefore the very subject matter the Court was asked to protect. Petitioners alleged further that such disclosure was not necessary, that it was not warranted under any possible circumstances, and that to permit such disclosure would destroy the entire established law of trade secrets. As to this last allegation, it is clear that the owner of a trade secret would pre-

fer that his secret be used by one dishonest employee, than that the secret be disclosed to all his competitors. If respondents succeed in establishing their contention, therefore, no one hereafter will bring a trade secret suit. The Courts will destroy the trade secret in attempting to protect it.

The Trial Court entered an interlocutory order enjoining this destructive disclosure, and subsequently a so-called *pro forma* decree refusing to dissolve the preliminary injunction order. The Court of Appeals reversed the trial court. Unless this Court reverses the Court of Appeals, petitioners either must abandon their suit or see their property destroyed in the attempt to protect it. The question involves not only the trade secrets in issue, but the entire law protecting trade secret property. It involves not only petitioners' laboratory and experimental investment, but the laboratory and experimental investment of hundreds of industries.

The fundamental question is whether trade secret property is to be preserved,—whether considerations of public policy warrant the protection of trade secret property, or whether other considerations so overbalance the need for protection of this established property right as to warrant its destruction. The learned Court of Appeals appears to have taken the latter view. The specific question is new. No Court, until the present suit, appears ever to have had the specific question before it.

The question is of importance to our entire industrial life. The learned Court of Appeals for the Third Circuit has held this destructive disclosure must be permitted, thereby placing in jeopardy fixed property rights which have been

acquired under the heretofore established law. If the learned Court of Appeals below is to be reversed and the property preserved, those who have large investments in this species of property should be assured that their investments are not in jeopardy, in order that the important work of improvement shall not be stopped. If the learned Court of Appeals below is to be sustained and the property destroyed, those who heretofore have been making large investments in trade secret property should be warned that their investments are of little value, in order that they may be saved further loss.

Specification of Errors.

The learned Court of Appeals for the Third Circuit erred in reversing the District Court as to the Order of March 26, 1915, and in not modifying the Order of April 13, 1915, as indicated in red on folded page 8 herein.

The Facts.

Very briefly, the immediate facts present the case of a manufacturer having a large investment in experimental and development laboratories. To justify this investment, it is necessary to protect any beneficial results obtained, by recourse either to the patent laws or to the heretofore well-established law protecting trade secrets. One of petitioners' confidential employees, a chemist, who was in charge of a laboratory division devoted to experimental and development work in artificial leather, suddenly resigned. It is significant that his resignation was coincident

with the completion by him and his associates of new and important discoveries which marked great advances in this art. He admits that he intends to manufacture artificial leather. It is plain that if he be permitted to use new improvements discovered by reason of the investment of his former employers in laboratories and experimental stations (including his own salary) without bearing any of the cost thereof, he can undersell the manufacturer who financed this experimental work just as surely as though he helped himself from the cash drawer of his former employer to finance his undertaking. The cost of experimentation must be borne by the selling price of the product. Even if a cheaper process is devised, the selling price, although lower than the former price, must be greater than it would be if the cost of experimentation did not have to be paid.

This employee (who is the principal respondent) entered petitioners' employ as a young man immediately after leaving college. He was employed by them continuously as an experimental chemist until his resignation,—for eight years on subjects related to artificial leather; and for the two years or more preceding his resignation, as chief of the laboratory division working on improvements in the manufacture of artificial leather. Whatever knowledge he has concerning advanced methods in the manufacture of artificial leather, therefore, must have been acquired during his period of employment. This suit was brought immediately following his resignation. The two usual defenses to a contested trade secret suit were raised,—(1) that petitioners' alleged trade secrets were common knowledge and therefore in the pub-

lic domain; and (2) that respondent did not intend to use any of petitioners' trade secrets. On motion for preliminary injunction, the District Court believed the latter defense, and relying on the assurance of counsel for respondents that no disclosure would be made (R., 15-16), refused to grant a preliminary injunction.

In the course of interlocutory proceedings, however, it was brought out that respondents did intend to disclose the trade secrets in issue. They then claimed the right to disclose the very matters in issue to expert and fact witnesses generally, in order to assist them to show that the trade secrets in issue were common knowledge. They even claimed the right to disclose the trade secrets in issue to petitioners' competitors. Upon petitioners' pointing out that this would be tantamount to the frustration of the very purpose of the Bill, and a denial of the relief prayed for in advance of a hearing (R., 21), the District Court entered the injunction order of March 26, 1915, enjoining respondents from disclosing the trade secrets in issue (R., 22). It is evident that without such an order the owner of a trade secret would rather dismiss his suit than go to trial. From a practical standpoint, it is infinitely better that the defendant in a trade secret suit be permitted to use the trade secrets, than that the secrets be disclosed to all the owner's competitors. It would be an empty victory to enjoin a former employee at the cost of educating all competitors. *This injunction order of March 26th embodies all the relief which petitioners ask of this Court, and all the relief for which they contended below.* It is a plain injunction against a disclosure which will destroy the subject matter in issue. It is a

plain injunction against a disclosure which the principal defendant agreed not to make, the agreement without which he could not have remained in petitioner's experimental laboratories and under which he received his salary and other compensation.

It will be noted that the injunction order of March 26th grants leave to respondents "to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises." It had become plainly evident during the course of argument that petitioners would be compelled to dismiss their suit if the disclosure was permitted for which respondents contended. Respondents promptly and vigorously moved to vacate the order, supporting their motion by affidavits alleging that they were handicapped in the presentation of their case by reason of the order of March 26th (R., 23). No sound reason was advanced for the vacation of the order, respondents relying upon their mere assertion as conclusive. The record is barren of any fact adequate to necessitate the destruction of the property in issue. The Court entered a so-called *pro forma* decree on April 13, 1915, denying the motion to vacate (R., 46-47). It will be noted that this *pro forma* decree, following respondents' motion to vacate, goes beyond the scope of the order of March 26th. (The two orders and the motion to vacate are shown, as to pertinent portions, on folded page 8 herein.)

INJUNCTION ORDER FILED MARCH 26, 1915, EMBODY ALL THE RELIEF FOR WHICH PETITIONERS ASKED
(R. 22)

That defendants * * * are enjoined * * *

from directly or indirectly **disclosing** any and all processes, apparatuses, articles of manufacture, or compositions of matter, or any new and useful improvements thereof, in issue herein, claimed to be the property of the plaintiffs, including the **disclosure** to experts or to fact witnesses produced at or during the taking of proofs of trial, but excepting therefrom defendants' solicitors or counsel * * * *

{Diverting and additional matter interjected by respondents.} ⟶

defendants * * * move the Court to vacate the preliminary injunction granted by it on the 26th day of March, 1915, in so far as the same applies to the right of the defendants or their counsel

to directly or indirectly **disclose** any and all processes, apparatuses, articles of manufacture, or compositions of matter, or any new and useful improvements thereon,.....
claimed to be the property of the plaintiffs,.....
.....to expert or fact witnesses produced at or during the taking of proofs of trial,.....
.....

including the right to ***consult*** *with expert or fact witnesses regarding the same, either during cross-examination or in preparation or presentation of the defendants' case.*

The *pro forma* decree of April 13, 1915, following the additional matter interjected by *respondents*, not only prohibits **disclosure** of the trade secrets in issue, but also precludes respondents from **consulting** with and **examining** witnesses, concerning the trade secrets. **Petitioners never have asked and do not ask for this prohibition as to consultation and examination (R., 26).** They ask merely that respondents be enjoined from **disclosing** and thereby destroying the trade secrets in issue. They do not contend and never have contended that respondents have not the right to consult and examine any person on any subject, but they do contend that respondents have not the right to disclose the trade secrets in issue. In other words, respondents can examine anyone and consult with anyone concerning any knowledge which that person may have, and can produce him as a witness to testify concerning that knowledge, but they should not be permitted to go to a competitor, disclose all petitioners' secrets to him, and then ask whether he has any information which will tend to show that the secrets are common knowledge. It is evident that petitioners' competitors would pay gladly for the privilege of being witnesses under such circumstances.

Respondents appealed from the injunction order and from the *pro forma* decree to the United States Circuit Court of Appeals for the Third Circuit, which reversed both the order and the decree. Although petitioners presented as forcibly as possible, both in their briefs and at the argument, the fact that they were not responsible for the consultation and examination feature of the *pro forma* decree of April 13th, but asked only for the af-

firmance of the disclosure feature in the order of March 26th, the learned Court, in its Opinion, appears to have considered only the *pro forma* decree of April 13th. The gist of the Opinion, as understood by petitioners, seems to hold that the *pro forma* decree of April 13 is too restrictive; and that between the conflicting interests of petitioners and respondents, those of respondents are paramount; that it is better to destroy trade secret property than to place any restriction on a defendant in presenting his defenses. The learned Court of Appeals, as understood by petitioners, appears to proceed on the theory that since in ordinary litigation a defendant is not restricted, no situation can arise where justice demands some restriction. The Court did not pass directly on any of the questions raised by petitioners except to state on the general question of disclosure "it appears to be inevitable that to some extent a preliminary disclosure must be permitted." R., 56-57. Petitioners reply that many well-recognized restrictions are placed on both parties to a cause when conditions warrant. **The specific question of law presented herein, therefore, may be said fairly to be whether conditions in a trade secret case do not fully warrant the restrictions embodied in the order of March 26th.** The order of April 13th is too restrictive and should be reversed in part, and the proper line drawn. The changes in red on folded page 8 herein indicate changes petitioners believe proper. Petitioners maintain that the disclosure for which respondents contend is not necessary; that respondents can present all their defenses fully and completely without such disclosure; and that to permit this disclosure would destroy well-established property rights sanctioned by public

approval. Petitioners also maintain that no facts have been presented showing the necessity for disclosure, and that no circumstances possibly can arise necessitating disclosure.

Fallacy of Respondents' Position.

Respondents allege that the trade secrets in issue are common knowledge and therefore in the public domain. The principal respondent swears positively that the trade secrets are well known to the trade (R. 10). He alleges he knows they are public knowledge and yet he says he cannot prove that they are public knowledge unless first he discloses them to his witnesses. No reason is given nor has any been produced in the Record to show why, if a certain formula is well known in the trade, witnesses cannot be placed on the stand to testify concerning this formula. Petitioners never have been able to understand why an existing fact cannot be proved without first disclosing the matters in issue. Respondents appear to hold that no case can be presented to a Court without the aid of **leading questions.** What respondents wish to prove are facts. These facts relate to common knowledge on certain subjects. For counsel to allege that he cannot place a witness on the stand to testify as to facts within the knowledge of that witness without first unbosoming himself to that witness is an unusual position to take. It has been our experience, for example, that a Court not infrequently, by a series of questions, ascertains exhaustively what counsel knows concerning the facts of a case and his opinion of the law relative thereto without any disclosure on the part of the Court as to its

own opinion, knowledge, or attitude. Not only have no facts been presented warranting the destructive disclosure contended for by respondents, but no possible contingency has been suggested where this disclosure might be necessary. Petitioners are prepared to show, as they have done in the Court below, that no contingency can arise necessitating such disclosure. Respondents do not need an expert, for the principal respondent knows more concerning the trade secrets in issue than any other one man. (R. 26-27, 28-29).

If the trade secrets in issue are identical with common knowledge as alleged by the principal respondent, the question of fact is simple and no expert is needed. No question as to equivalency, which often is an important question in patent cases, can form a material issue. If the public-knowledge formula is the same as the trade-secret formula, the issue is closed; the formula is *not* a trade secret. If the public-knowledge formula is *not* the same as the trade-secret formula, but defendants-respondents allege that they are equivalents and that they want to use the trade-secret formula because it is better, it is perfectly clear that they should not be allowed to do so. The trade-secret formula, if it is better, should be protected as such. The question of invention is not directly involved in the present situation. Again, if the trade-secret formula is *not* the same as the public-knowledge formula, but defendants-respondents allege they are equivalents and that both are equally efficient, they are at perfect liberty to use the public-knowledge formula and should have no desire or wish to use the trade-secret formula. Thus under every possible circumstance, no need for an expert occurs. As to

fact witnesses, any existing common knowledge fact certainly can be adduced on the witness stand without a previous disclosure of the trade secrets in issue.

It would appear that what respondents really wish to do is to go on a fishing excursion. They wish to obtain permission to take the trade secrets in issue and disclose them to the trade in the hope of finding something which will enable them to use the valuable trade secrets they obtained in confidence from petitioners. Respondents, unless enjoined, even could advertise in the newspapers the list of trade secrets and a detailed description of each of them. If the matters in issue really are common knowledge and so well known, it would seem as though respondents should have not the slightest difficulty in adducing proof thereof. As to respondents' denial that petitioners have trade secrets, the Court well might take judicial notice in the present case, as did the Court in *Eastman* v. *Reichenbach et al.* case, (20 N. Y. Sup. 110, affirmed without opinion 29 N. Y. Sup. 1143) "that discoveries and inventions unknown to the public at large constitute the foundation upon which that business rests" (p. 112). It also is a matter of common knowledge that a laboratory division would not be maintained for several years if it produced nothing. The principal respondent would not have received a salary for two years as head of an experimental department, if that department accomplished nothing. For the same reason that an assignor cannot deny the validity of the assigned patent, it would seem that the principal respondent is estopped from denying the novelty of the improvements which he turned over to petitioners as the results of the work for

which he was receiving compensation. He had sold in advance to petitioners the results of his work and should not be permitted to question their title. This court has held regarding the title to improvements made by employees engaged to perfect and improve:

> "An employee, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. There is no difference between the Government and any other employer in this respect. But this general rule is subject to these limitations: If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer. Whatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer." (Solomon *v.* United States, 137 U. S. 342, 346.)

As to respondents needing an expert, it is plain that the defendant in a trade secret case always has full and expert knowledge of the trade secrets in issue; otherwise he would not be a defendant. The owner of a trade secret certainly would not try to enjoin a defendant from disclosing and using a trade secret concerning which the defendant had not such full and complete knowledge as to make disclosure and use imminent.

No authority or principle has been adduced by respondents in support of their theory that they are entitled to disclose the trade secrets in issue to an expert. They appear to misconceive the function of an expert, which is to aid the *Court* or *jury* on matters not of common knowledge. Respondents are claiming the need of an expert for themselves, not for the Court. And the alleged need for an expert seems absurd, when it is remembered that it is because the principal respondent knows so much about the trade secrets that he is able to use and disclose them, and intends so to do, that the present suit was instituted.

Aside from the firm conviction that these respondents intend to use petitioners' trade secrets unfairly, petitioners cannot judge of respondents' motives. Without imputing bad faith in this particular connection therefore, it can be said justly that if respondents were endeavoring to force a dismissal of the suit without a fair trial, they could not have proceeded to better advantage. It would have been difficult, for example, to find two men more calculated to cause petitioners to dismiss their suit rather than have their trade secrets disclosed to them, than two of the three experts named by respondents as persons to whom they intended to disclose the trade secrets in issue. Petitioners allege that these men are thoroughly unreliable and that one of them attempted to sell a competitor's trade secrets to the predecessor of one of the petitioners herein (R. 27, 30-33). To sustain respondents' alleged right of disclosure, moreover, even though respondents' sincerity be conceded, would be to provide every weak or dishonest employee in the future with a complete defense to a trade secret case.

On the question whether any disclosure is necessary in a trade secret case, it is evident that, on principle, the owner of a trade secret is entitled to protect its disclosure against the entire world. When he is faced with the theft of his trade secret and applies to the Courts for protection, he is obliged, however, to give up part of his absolute right against disclosure. Where should the line be drawn? It is admitted that the owner must waive his right so far as the Court itself is concerned; otherwise there could be no fair adjudication. It is admitted that the owner must waive his absolute right as to a sworn officer of the Court to act as counsel for defendant in order that defendant's case may be presented skilfully; otherwise defendant would be placed under such a serious disadvantage as to prevent the doing of justice. But here the line should be drawn. It is submitted that the owner of a trade secret should not be compelled to waive further his right against disclosure, as the price of protection against *mala fides*. Of course, if the Court desires the services of an expert to aid it in arriving at its conclusion, such disclosure would be necessary and proper. To permit a defendant to disclose the secrets in issue to any person other than the Court and his counsel is unnecessary and destructive of the property right before the Court. A trade secret known to a dozen, would be no secret at all.

If it be a question of fact as to whether disclosure should be granted in any particular case, the Record in this case fails to show any reason for disclosure. Respondents assert disclosure is necessary, and the learned Court of Appeals adopts their assertion as

a conclusion. We have been unable to find any facts set forth in the Record warranting the reversal of the Order of March 26th. As between the parties, we have the property right of petitioners against the individual convenience of respondents in proving what they allege to be common knowledge. Even admitting that it may take counsel for respondents a little more time in his preparation for trial to ascertain what his proposed witnesses may know, it is submitted respectfully that this is no reason for destroying established property rights. Certainly this property right should not be destroyed unless on reasons so clear as to make any other construction of the law inadmissible.

The first successful defense of trade secret cases was **disclosure** by trial in open Court. Public opinion induced the Courts to overcome this illegitimate defense by adopting a trial *in camera* and a sealed record. The new and present defense likewise is **disclosure**. The method of presenting this new defense is ingenious, but it is no less illegitimate than its earlier brother. In both cases disclosure will be a complete defense to the dishonest. In both cases disclosure destroys the property. The Courts for nearly a century in a long line of unbroken decisions, have recognized the illegitimacy of the first "disclosure" defense, and it is submitted respectfully that this Court should recognize the illegitimacy of the new "disclosure" defense. When once the peculiar and hazardous nature of trade secret property is recognized; when once the reasons for sustaining this property are recognized; the broad principles of public policy and public welfare predominate so clearly that the new disclosure defense necessar-

ily must be relegated to its proper place beside the first disclosure defense. Neither has any place in our system of jurisprudence. If the interlocutory order of March 26, 1915, is to be reversed, further expenditure along the line of development and experimentation is useless. Any confidential (supposed) employee having knowledge of the results of the experimental and development work would be free to utilize the same, not only without cost, but after having been paid while he was acquiring the information. If the Courts are appealed to for protection, the employee will threaten to disclose the secrets to competitors on the ground that it is necessary to aid him in presenting his defense. Under such circumstances it would be futile to proceed.

Reason for the Protection of Trade Secret Property.

Our system of law contemplates the protection of the results of creative ability on the theory that this protection affords a stimulus to creative work which redounds to the benefit of all the people. Mr. Chief Justice Fuller, speaking for this Court of a trade secret case, said:

> "The policy of the law is to encourage useful discoveries by securing their fruits to those who make them."
>
> (Fowle *v.* Park, 131 U. S. 88).

It said in a patent case, speaking through Mr. Justice McKenna:

> "We have seen that it has been the judgment of Congress from the beginning that the science and the useful arts could be

> best advanced by giving an exclusive right to an inventor."
>
> (Continental Paper Bag Company *v.* Eastern Paper Bag Company, 210 U. S. 405, 429).

Thus we have patent laws, copyright laws, and the well-established principle of property right in trade secrets. The property right in a trade secret is somewhat similar to the property right covered by a common-law copyright of unpublished matter. The analogy is close. It should be noted, however, that, although the fundamental reason for granting patent protection and for granting protection to trade secret property is the same, the rights and remedies afforded by the patent law are entirely different from the rights and remedies granted by the law heretofore upholding trade secret property. This fundamental reason for each rests on the fact that he who creates can benefit his fellowmen only by **disclosing** or by **using** what he has created.

Patent protection provides a reward only for disclosure. If the inventor files in the Patent Office a written description of his invention in such full, clear, concise, and exact terms as to enable any person skilled in the art or science to which it appertains to construct, compound, make, and use the same (Sec. 4888 R. S.), he is granted a monopoly for seventeen years. It is not necessary that he use or utilize his invention in the slightest degree. (*Bement* v. *National Harrow Company*, 186 U. S. 70, 90; 22 Sup. Ct. 747; 46 L. Ed. 1058). *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405; 28 Sup. Ct. 748; 58 L. Ed. 1122. He need only disclose it in the manner provided by Statute.

Trade secret protection, on the other hand, provides a reward only for use. No monopoly is granted for a term of years, and the inventor is protected only against theft and against those to whom he discloses the invention in confidence. No one will deny that the inventor of a trade secret should be protected against theft; and as the inventor necessarily must disclose his invention to workmen to aid him in utilizing his invention commercially, the law heretofore has protected this confidential disclosure in order that the public may be benefited by use under commercial conditions. This latter protection really is an application of the law of specific performance. The employer has an express or an implied contract that he will not disclose, and the Courts enforce this contract. In a leading *trade secret* case, Merryweather *v.* Moore (1892), L. R. 2 Ch. 518, the Court said:

> "It is sometimes difficult to say whether the court has proceeded on the implied contract or the confidence, for I will put aside once for all any cases arising on express contract. Perhaps the real solution is that the confidence postulates an implied contract; that, when the court is satisfied of the existence of the confidential relation, then it at once infers or implies the contract arising from that confidential relation—a contract which thus calls into exercise the jurisdiction to which I have referred."

Public opinion recognizes that public welfare is benefitted by the preservation of this property right in trade secrets. The development of a trade secret benefits the public by providing it with better goods at a cheaper price, and if it in-

volves new processes of manufacture, it affords lucrative employment to a large number of people.

Although patent protection is to stimulate disclosure, and trade secret protection is to stimulate use, the nature of the right acquired differs greatly.

Precarious Nature of Trade Secret Property.

A patentee has absolute protection against **subsequent** inventors for seventeen years. Only a prior inventor, or a prior public use, or prior knowledge, can divest him of his right. For seventeen years he can prevent anyone from making, using, or selling his claimed invention, no matter whether the same be discovered independently, brought in from abroad, or obtained in any way.

The property right in trade secrets, on the other hand, is most precarious. A subsequent independent inventor has as full rights as the first inventor, and if the second inventor chooses to apply for and obtains patent protection, he even can exclude the prior trade secret owner during the life of the patent. The owner of a trade secret may be divested of his property at any time by any of the following means:

1. By a disclosure not under pledge of secrecy;
2. By an accidental disclosure;
3. By an independent discovery;
4. By the bringing in of the subject matter from abroad;
5. By ascertaining the trade secret in any way not involving theft or breach of confidence; as

   a. By analysis——

b. By ascertaining the amount and nature of purchases of ingredients made by the owner of the trade secret—or

c. By shrewd guess-work.

The owner of a trade secret has protection against only three classes of persons: (1) against one who steals the trade secret from him or obtains it by unfair means; (2) against one to whom the trade secret has been disclosed in confidence and who attempts to betray the confidence placed in him; and (3) against one who is employed to devise new improvements for the benefit of his employer, and is under contract, express or implied, not to disclose the results of his labors. In other words, every trade secret case has fraud as its main issue. **Against the honest and the trustworthy the law of trade secrets does not apply.**

Mr. Nims in his valuable book on Unfair Competition devotes a chapter to "Trade Secrets and Confidential Relations." Under the head of "Discovery of a Secret by Lawful Means" (§ 213) Mr. Nims says:

> "When the secret information becomes known to the defendant through his own efforts, no action lies against him. He has a right to discover for himself the ingredients of a secret medical formula by study of the medicine itself, if it be sold publicly, or he may discover the secret of a method of manufacture from a study of the manufactured article. If he acquires the hidden information honestly, he may use it as he will, assuming of course there is no question of patent; but a discovery of a secret by unfair means, such as bribing a clerk of the owner of the secret, or stealing or copying the information from the

owner will not be protected." (Nims on Unfair Business Competition, p. 426.)

As indicating still further the very precarious nature of trade secret property and the limited rights an owner has even under the present established law, we might refer to the supposititious case of one who purchases a trade secret from a confidential employee. If the purchaser could show that he had no knowledge of the breach of confidence, his equity would be equal to that of the owner, and the Court might refuse any relief.

It would seem to be clear, therefore, that the rights of the owner of a trade secret are so restricted and are so precarious that general rules of law will not always be sufficient to protect the property. If the property is to be preserved, the Courts must deal with the rights of the parties with a breadth of understanding consonant with the fundamental principles of public policy on which the property right is founded. If general rules are not sufficient, the question of departure therefrom must be considered, with public benefit as the acid test to be applied.

Power of the Court to Protect Trade Secret Property.

The law never has hesitated to accept modifications of general rules when new conditions arise. The protection of intangible property rights, of which trade secret property is an example, was the result of a gradual change in social and business conditions. And when society became sufficiently complex (and perhaps insistent) to render it necessary to protect this class of property, the Courts found a way to do it. In the

present case, however, we have not the situation of a new property right which the Court is asked to recognize and take under its protection; the Court is not asked to determine whether changed conditions warrant a change in the law; but petitioners are in the extraordinary position of urging that the settled law be not overthrown, that established property rights, recognized and protected for almost a century, be not destroyed. And petitioners are urging this, not against public opinion or public welfare, but against a defendant charged with unfair methods—who says this destruction is necessary to enable him to prove that certain matters are **public knowledge.**

The Court clearly has the legal right to protect this property, and to prevent this destructive disclosure. It is within its inherent powers, particularly when sitting in equity. Courts exclude the general public from certain criminal and other proceedings on the ground of public policy. They exclude witnesses from the Court Room in order to insure a fair trial. They grant preliminary injunctions to preserve conditions in *statu quo* until the matter can be determined at final hearing. It has been the practice for almost a century to hold trials *in camera* in trade secret cases and to seal the evidence. In cases where defendants have not denied that the matters in issue are trade secrets, disclosure to the Court is not even necessary. And in trade secret cases in which a preliminary injunction has been issued, the defendants have been prohibited positively from making the disclosure contended for here.

There are many cases where the confidential communications protected by the law would be of vital aid to one of the suitors, and in which

their admission or rejection determines whether the suitor's case stands or falls. Among these may be mentioned professional communications, awards, matters relating to the public defense, and matters of state. No matter how important the disclosure would be to a private litigant, he must stand aside for reasons of public policy and for the general good.

In the present case it doubtless would be of assistance to petitioners if they could compel counsel for respondents to testify as to what the principal respondent has communicated to his counsel, but by reason of the greater harm to the community as a whole, than benefit to petitioners, the law excludes these confidential communications. It works a hardship and handicap upon petitioners, but it must be borne to avoid the greater harm to the community at large. So, in the specific question at issue, it may be true that respondents could prove their case a little more conveniently and with less labor if they could disclose petitioners' secrets to expert and fact witnesses, but if they are permitted to do so, it will work immeasurable harm to the community by destroying the property right in trade secrets. It would be useless to bring suit to protect trade secrets, because they would be made public by the very proceeding in which it was sought to preserve them. The result would be the wholesale destruction of an incalculable amount of industrial property, for most industries have trade secrets which have been developed by experimental work carried on only by large expenditures of time and money.

Other instances where the convenience of the individual suitor must give way to other consider-

ations, are found in applications for a discovery or for a bill of particulars. Many limitations are placed on these applications even though the information asked would facilitate the conduct of the case. And such limitations are not based on the serious question presented in the present case, destruction of property, but largely on justice to the other party. Thus a party will not be compelled to disclose matters of evidence. Neither will the courts grant an order for a fishing excursion, as to ascertain whether the applicant has a cause of action, or a defense, or in anticipation of defense. (Encyclopædia of Pleading and Practice, Vol. 6, p. 792, Section IV, 3.) We have here not only the injustice of permitting respondents to go on a fishing excursion in an attempt to justify the use of trade secrets which they received in perfected form from petitioners; not only the injustice of permitting respondents to disseminate petitioners' trade secrets among their competitors (*the future use of which secrets petitioners will be unable to stop in view of the "independent invention" and similar defenses*); but also the destruction of property which has been acquired by expenditures heretofore protected by the established law.

It never has been the general policy of established Governments to permit destructive disclosure. In patent infringement suits, for example, an inspection of defendant's alleged infringing apparatus is not permitted unless first a *prima facie* case of infringement is made out. The following quotations indicate the judicial thought on this question:

> "It is a serious thing to direct a manufacturing corporation to allow the attorney

and agents and experts of a rival concern to enter its plant and inspect and measure its machinery and the operation thereof and compel it to furnish samples of its stock and product. 'Suspicion' of infringement is not enough to justify such an order as is asked for, and I decline to follow Rowell *v.* William Koehl Co. (D. C.), 194 Fed. 446, 447, where it is indicated that 'suspicion of infringement' will justify an order of inspection. A *prima facie* case made by taking testimony and concealment by defendant of its alleged infringing devices, or of plans, drawings, and documents would justify such inspection. This is the doctrine of Dobson *v.* Graham (C. C.), 49 Fed. 17, and Diamond Match Co. *v.* Oshkosh Match Works *et al.* (C. C.) 63 Fed. 984, 985. In Diamond Match Co. *v.* Oshkosh, etc., *supra*, the court said:

> " 'The complainant is not entitled to the aid of the court, upon the suspicion or an allegation of infringement, to pry into the business operations or appliances of the defendants, either to the end of making out a case against them, or for any other object. The defendants are entitled to protection in their rights and property, and will not be required to make premature disclosures of their matters of defense.' "

"And in Dobson *v.* Graham, *supra*, the court said:

> " 'Complainant will not be granted an inspection of machinery of defendant kept in secret, and claimed to embody important secrets, when complainant produces no evidence tending to show that it infringes his patents.' "
>
> (Eibel Process Co. *v.* Remington-Martin Co., D. C. N. D. N. Y. July 13, 1912, Ray, D. J., 197 Fed. 760, 763).

> "They now move the court to order that the defendants do permit a full and thorough inspection of their manufactory, situate in Newark, N. J., and of all their machinery, and of all their processes for the manufacture of the rasps or files made by them, and which files and rasps, and processes and machines, the complainants allege, infringe their letters patent. The defendants, in their answer, deny infringement, and furthermore assert, under oath, *that rasps have been manufactured by them, by a peculiar process, not patented, but kept as a secret in their business, since 1836;* and they produce files and rasps before the court, which, as shown by affidavits uncontradicted, were made many years before the letters patent in question were issued, and which to the eye, at least, seem to be entirely similar to those now made by the complainants. Under these circumstances, to compel the defendants to open their manufactory to hostile inspection of rivals in business, and to disclose the character of the machines and the process by which for so many years they have made a successful article of merchandise, would be unjust and inequitable. The motion is too obviously the excuse for a 'fishing excursion,' and does not, under the circumstances of this case, commend itself to the court. It is therefore denied." (Stokes Bros. Manuf'g Co. *v.* Heller *et al.*, C. C. D. N. J., May 16, 1893, Green, D. J., 56 Fed. 297-8) (Italics ours).

It will be seen that the inspection condemned above is exactly on a parity with the disclosure contended for by respondents. To permit respondents to disclose to competitors what the principal respondent has learned by reason of his confidential relations with petitioners is exactly

the same as though these competitors were permitted to inspect petitioners' plant. What possible difference can there be between the principal respondent's disclosure of everything in the plant, and an inspection of the plant itself. If anything, respondent's disclosure would be the more harmful to petitioners, as his expert and intimate knowledge of every detail of development, experimentation, and practical work would divulge far more than a mere inspection of processes and machines in use.

The justice of the protection of secret inventions or discoveries also is recognized by Statute.

In providing punishment for disobedience of subpœnas or for refusal to testify in interference cases in the United States Patent Office, the following exception is found in the Revised Statutes:

> SEC. 4907. " * * * But no witnesses shall be deemed guilty of contempt * * * for refusing to disclose any secret invention or discovery made or owned by himself."

As late legislation as the Federal Trade Commission Act, approved September 26, 1914, also recognizes the property right in trade secrets, Section 6 provides:

> "SEC. 6. That the commission shall also have power—
>
> (f) To make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; * * *"

This statutory recognition of the benefits conferred upon the public by holding out an incentive to individuals to invent and to improve, will be rendered nugatory by judicial action if trade secrets cannot be protected in the Courts.

To permit respondents to disclose the trade secrets in issue as a mere matter of convenience is to injure the community by depriving individuals of the incentive to improve, particularly in fields where the patent laws will not afford adequate protection. Many of these secrets, such as chemical processes, would lose their value if patented, because they could be used so that it would be impossible to obtain evidence of infringement. The development of trade secrets gradually and constantly improves the arts to which they relate, and the public is benefitted greatly thereby, either in improved products, reduced cost of production, or in products which they otherwise would not have. Public policy requires that the inducement shall be preserved to develop and use trade secrets. The only inducement is the assurance that the law will prevent their use or disclosure in violation of common standards of honesty and fair dealing.

It follows that *public policy* requires that trade secret cases be so conducted as to avoid the destruction of the secrets themselves, and this necessitates that a defendant be prevented from disclosing such secrets to his witnesses.

> "But the very meaning of public policy is the interest of others than the parties, and that interest is not to be at the mercy of the defendant alone." (Beasley *v.* Texas & Pacific R. Co., 191 U. S. 492, 498, 48 L. Ed. 274.)

It is a general principle that the rights of the individual must give way when they conflict with the rights of society at large. In Holmes on The Common Law, it is stated at page 43:

> "As to the violation of equal rights which is charged, it may be replied that the dogma of equality makes an equation between individuals only, not between an individual and the community. No society has ever admitted that it could not sacrifice individual welfare to its own existence. If conscripts are necessary for its army, it seizes them, and marches them, with bayonets in their rear, to death. It runs highways and railroads through old family places in spite of the owner's protest, paying in this instance the market value, to be sure, because no civilized government sacrifices the citizen more than it can help, but still sacrificing his will and his welfare to that of the rest."

We submit, therefore, that the preliminary injunction of March 26th, forbidding respondents to disclose the trade secrets in issue to their witnesses, conforms to the principles set forth above and is based upon sound public policy.

Authorities on Trade Secret Property.

The first trade secret cases were brought in England a century ago. One of the earliest is *Newbery* v. *James*, Eldon, L. Ch., 2 Merivale, 446. The Court attempted to deal with these cases in accordance with general principles of law, which resulted in a complete failure of justice. The Court held it could not protect the trade secrets without disclosing them; that therefore a trial was futile; and dismissed the bill. The in-

creasing public sentiment in favor of protection for trade secret property, and the necessity for its protection becoming so apparent, led the Court to devise a way to protect this property in spite of the general principles applied to ordinary litigation. Since 1820, therefore, and starting with the case of *Yovatt* v. *Winyard* (Eldon, L. Ch., 1 Jacob & Walker, 394) the Courts have made an exception of this class of cases, and we have practically an unbroken line of authorities sustaining trade secret property. Trials *in camera* and sealed records have been the means employed.

In France, one who discloses a trade secret is punished by fine, imprisonment, and police surveillance. (Penal Code, Sec. 418). Among well known leading cases in England may be mentioned Morrison *v.* Moat, 9 Hare, 241 (21 L. J. Ch. 248). The Court there said:

> "The principles that were argued in this case are principles really not to be called in controversy. There is no doubt whatever that where a party who has a secret in a trade employs persons under contract, express or implied, or under duty express or implied, those persons cannot gain the knowledge of that secret and then set it up against their employer."

A case which is on all fours with the present case is *Eastmann Co.* v. *Reichenbach et al.*, 20 N. Y. Sup. 110, affirmed without opinion 29 N. Y. Sup. 1143. As the issues in that case are similar only to the main trial issues herein, as distinguished from the issue before this Court, the case is referred to only as one on the general law of trade secrets.

In the United States, a leading case often referred to is *Peabody et al.* v. *Norfolk et al.*, 98

Mass. 452 (Mr. Justice Gray). The case of *Solomon* v. *Hertz,* 40 N. J. Eq. 400, 2 Atl. Rep. 379, is cited as one of the two leading cases by the Supreme Court of Pennsylvania in *Frelich* v. *Despar,* 165 Pa. St. 25; 30 Atl. Rep. 521.

In *Solomon* v. *Hertz et al.,* 40 N. J. Equity 400, 2 Atl. Rep. 379, a preliminary injunction was granted, which defendant moved to dissolve. In denying the Motion the Court said:

> "To dissolve the injunction now would practically decide the cause in favor of the defendants, without giving the complainant an opportunity to establish the truth of the case made by his bill. It is the duty of the court in such a case as this, in the exercise of a sound judicial discretion and discrimination, to retain the injunction until the final hearing. In this case there can be no reasonable objection to that course on the part of the defendants themselves, for they say and insist that the complainant has no secret peculiar methods and processes; and that, if he has any, they do not propose to use them. There is, therefore, no reason why the injunction should not, as to those matters stand, for his protection, until the truth and right of the case shall be demonstrated."

It will be noted that the defendants in Solomon *v.* Hertz raised the same defenses as in the present suit, namely, that the trade secrets were not in fact trade secrets and that they did not intend to use any trade secrets of plaintiff. The defendants in Solomon *v.* Hertz also were under a preliminary injunction as are the defendants in the present case. The Court refused to dissolve the preliminary injunction in Solomon *v.* Hertz as did the Court in the present case. But the learned

Court of Appeals in the present case reversed the District Court, so that the protection granted plaintiff in Solomon *v.* Hertz was taken from your petitioners. This protection should be granted.

Although the exact point in issue appears never to have been raised before, the nearest case is that of Taylor Iron & Steel Co. *v.* Nichols, 69 Atl. Rep. 186 (1908), by the Court of Appeals of New Jersey. Mr. Justice Swayze, speaking for the Court, said, in a trade secret case:

> "For the protection of the complainant, the usual course is to take the evidence as to the secret in camera, as was done in Stone *v.* Grasselli Chemical Co. *Every one may be excluded except the parties, both of whom must already know the secret, and their counsel, who must have been apprised thereof. When, as in this case, a third person, to whom the secret has not yet been disclosed, is a party, he may well be excluded without injustice.* It is not necessary to embody the description of the secret in the injunction itself. The testimony taken in camera may be sealed, and used only when it becomes necessary to determine whether there has been a violation." (Italics ours.)

In this case, the prohibition was not only broad enough to include expert and fact witnesses, but it even included one of the parties to the suit (who had been trying to hire the confidential employee of the plaintiffs, but who did not know the trade secret).

Another case in which the point appears to have been present is *Seifried* v. *Maycox, Superior Court of Cincinnati, Special Term, April, 1904, Hosea, Judge,* 14 Ohio Dec. (*Nisi Prius*) 536.

Plaintiff was in the gold and silver refining business and had certain formulæ which he alleged were trade secrets known to defendant, a former employee. A temporary injunction was granted restraining defendant from using the secret formulæ. The Answer denied that the formulæ were secret and alleged that they were known to the trade. The Court said:

> "These formulæ were by consent arrangement exhibited to opposing counsel under agreement of secrecy, and a copy deposited with the court.
>
> "Testimony of several dentists and local manufacturers was adduced showing the state of the art; and on this point I find that the novelty of the combinations indicated is fully and satisfactorily established."

It would appear from the above decision that the formulæ were exhibited only to opposing counsel, which has been done in the present case; and that the secrecy of the formulæ, with the exception of disclosure to the Court, otherwise was maintained.

In an English case it was held that there was no necessity for disclosing the trade secrets even to the Court. (*Amber Size & Chemical Co.* v. *Menzel*, 1913, L. R. 2 Ch. 239; 82 L. J. Ch. 573, 30 R. P. C. 433.) The Court said:

> "I am conscious of the fact that the Plaintiffs have put the Court and their Opponents into considerable difficulty by not disclosing their secret. It is perfectly clear that they are not bound to disclose their secret; but it is equally clear that there are means which the Court could adopt for enabling them to prove their

> secret without divulging it to the public. * * * in the event, which I trust, will not occur, of any breach of the Order that I am about to make taking place on the part of the Defendant, there will be no difficulty in the Plaintiff's supplying the Court, under proper safeguards for protecting them from disclosure, with the details of their process in the event of their alleging disobedience to my Order, and I do not think I am prevented by anything said by Lord Eldon, L. C. in Newberry *v.* James, 2 Merivale 446, 451, from making the order I propose to make."

Among cases in which the subject has been discussed, but not under circumstances the same as in the present case, may be mentioned the following:

In *Tetlow* v. *Savournin*, 15 Phila. 170, plaintiff filed a bill for infringement of his trade mark. Defendant moved to cancel plaintiff's testimony for refusing to answer as to the ingredients of his secret medicine. The Court held:

> "If this question must be answered, every manufacturer will be at the mercy of any one who desires to extract from him an account of his processes, for an attempt to restrain an infringement would result in a disclosure of all that makes the invention valuable."

This decision is cited with approval in *Moxie-Nerve Food Company* v. *Beach, et al.*, 35 Fed. 465, in which the witness was asked questions which if answered would have involved a disclosure of trade secrets owned by the complainant. The Court held:

> "It seems to me that the argument used in Tetlow *v.* Savournin against the right of the

> defendant to oblige the witness to make disclosure are sound, and applicable to the present case."

The proposed questions were on this ground held inadmissible.

In *Jarvis Adams Company* v. *Knapp,* 121 Fed. 34, defendant demurred to the bill which related to a contract with reference to trade secrets, on the ground that such secrets were not sufficiently alleged. The Court held:

> "Then as to the suggestion that it is not stated what those processes were, we think the complainant was not required to state that. We know of no precedent for holding that a party must make public the secrets of his business in order to obtain protection against other unlawful disclosure. He would lose his right in endeavoring to save it."

In *Crocker-Wheeler Co.* v. *Bullock,* 134 Fed. 241, the Court refused to compel the production of documents which would disclose trade secrets of the defendant.

The case of *In re Grove,* 180 Fed. 62, involved an order for the production of papers which had not been produced by the witness on the ground that the production of the papers called for in the subpoena would disclose trade secrets of the defendant and features of design not covered by and having no relation to the patents sued upon. The Court ordered the papers to be delivered to the master, referring to the practice followed by Judge Lacombe in *Edison Electric Light Co.* v. *U. S. Electric Lighting Co.* (C. C. 45 Fed. 56), in which it was directed "that the documents be delivered to the Examiner with the order that when any one of them should be

called for by the defendant if objection to its exhibition is made by counsel for complainant, the Examiner will certify the objection to the Court and send therewith the document itself. Thereupon the Court will rule upon the objection."

In accordance with the same policy the Court, in *Stokes Brothers Manuf'g Co.* v. *Heller, et al.*, 56 Fed. 297, refused a motion to order defendants to permit an inspection of their factory and of their processes of manufacture, the defendants having denied infringement of complainant's patent and set forth that their processes of manufacture were secret. It was held:

> "Under these circumstances, to compel the defendants to open their manufacture to hostile inspection of rivals in business and to disclose the character of machines and the process by which for so many years they have made a successful article of merchandise would be unjust and inequitable. The motion is too obviously an excuse for a 'fishing excursion', and does not, under the circumstances of this case, commend itself to the Court."

Similarly in *Dobson* v. *Graham*, 49 Fed. 17, the defendant's workman refused to answer questions concerning the machines alleged to have been used in infringement of complainant's patent. The Court refused to compel answers to those questions, stating

> "The defendant's business is conducted in private for the purpose of securing to himself (as he asserts) the use of his peculiar machinery and methods of manufacture. These secrets of his business, if they cover nothing unlawful, are his property and as

well entitled to protection as the rights secured by the complainant's patent."

Among the numerous other cases in which trade secret property has been upheld may be mentioned the following:

Simmons Med. Co. *v.* Simmons, 81 Fed. 163.
Harrison *v.* Glucose Sugar Co., 116 Fed. 304.
Jarvis Adams Co. *v.* Knapp, 121 Fed. 34.
Hildreth *v.* Thibodeau, 124 Fed. 892.
Union Sw. & Signal Co. *v.* Sperry, 169 Fed. 926.
Baldwin *v.* Von Micheroux, 25 N. Y. S. 857.
Little *v.* Gallus, 38 N. Y. S. 487.
Nat'l Gum & Mica Co. *v.* Brandly, 51 N. Y. S. 93.
Harvey Co. *v.* Nat. Drug Co., 77 N. Y. S. 674.
Witkop, *et al. v.* Boyce, 112 N. Y. S. 874; 61 Misc. Rep. 126.
Applebee *v.* Skiwanek, 140 N. Y. S. 450.
Stone *v.* Goss, 55 Atl. 736; 65 N. J. Eq. 756; 63 L. R. A. 344.
Sterling Varnish Co. *v.* Macon, 66 Atl. 78; 217 Pa. 7.
Vulcan Detinning Co. *v.* Am. Can Co., 67 Atl. 339; 72 N. J. Eq. 387.
Taylor Iron Co. *v.* Nichols, 69 Atl. 186; 73 N. J. Eq. 684.
Pomeroy Ink Co. *v.* Pomeroy, 78 Atl. 698; 77 N. J. Eq. 293.
MacBeth-Evans Glass Co. *v.* Schnelbach, 86 Atl. 688; 239 Pa. 76.
Thum Co. *v.* Tloczynski, 72 N. W. 140; 114 Mich. 149.

Sanitas Nut Co. *v.* Cemer, 96 N. W. 454; 134 Mich. 370.

Elaterite Paint & Mfg. Co. *v.* Frost Co., 117 N. W. 388; 105 Minn. 239.

Am. Stay Co. *v.* Delaney, 97 N. E. 911; 211 Mass. 229.

Stuckes *v.* Nat. Candy Co., 138 S. W., 352; 158 Miss. App. 342.

Tabor *v.* Hoffman, 41 Hun 5; Aff'd 118 N. Y. 30.

Stevens *v.* Stiles, 29 R. I. 399.

Merryweather *v.* Moore, 1892, L. R. 2 Ch. 518.

Amber Size & Chem. Co. *v.* Menzel, 1913, L. R. 2 Ch. 239; 82 L. J. Ch. 573; 30 R. P. 433.

Portal *v.* Hine, 4 The Times L. R. 330.

In the case at bar, respondents have stumbled on a new defense which, if sustained, places the law of trade secrets in the same condition in which it was previous to *Yovatt* v. *Winyard* (*ante*). Until 1820, the owner of trade secrets was remediless, because to attempt to protect his right meant destructive disclosure. If the learned Court of Appeals is to be sustained, the year 1917 will mark the year when the owner of a trade secret again became remediless, because to attempt to protect his rights will mean destructive disclosure. Surely the law will not slip back almost a century in its just protection of trade secret property for any such reasons as have been advanced by respondents.

Respondents' Authorities.

We do not know on what authorities respondents will rely in this Court. In the Court of Appeals no authority was adduced by respondents which petitioners were able to find was pertinent. The learned Court of Appeals apparently reached the same conclusion, as its Opinion, although strongly in favor of respondents, contained not a single authority. We reproduce here substantially the same comments on respondents' authorities in the Court of Appeals, which were embodied in petitioners' Brief before that Court.

Taylor Iron & Steel Co. v. *Nichols*, 69 Atl. Rep. 186. Respondents quoted a few sentences from that Opinion from which they drew the inference that trade secrets may be made public in the trial of a trade secret case. Petitioners replied with the following quotation from the same case immediately preceding the quotation of respondents:

> "For the protection of the complainant, the usual course is to take the evidence as to the secret *in camera*, as was done in Stone *v.* Grasselli Chemical Co. *Every one may be excluded except the parties, both of whom must already know the secret, and their counsel, who must have been apprised thereof. When, as in this case, a third person, to whom the secret has not yet been disclosed, is a party, he may well be excluded without injustice.* It is not necessary to embody the description of the secret in the injunction itself. The testimony taken *in camera* may be sealed, and used only when it becomes necessary to determine whether there has been a violation". (Italics ours.)

It is evident that the Court threw every protection around the trade secrets, excluding everyone

except the parties *who knew* the secrets, and their counsel. Not only were scientific experts not present, but even *one of the parties to the cause* who did *not* know the secret, (one who was trying to hire the employee who knew the secret) was excluded from the room. *This decision is, therefore, an authority for petitioner's contention, and not for respondents.'*

Ryan *v.* Couch, 66 Ala. 244, was an action on a sheriff's official bond, and the rule there in question was simply the usual one requiring that all witnesses be excluded except the one testifying, if opposing counsel require it. It was a trial in open court and not *in camera*, and there was no question of trade secrets.

Johnson *v.* State, 10 Tex. Court of Appeals Rep. 571, was a criminal case in which the witnesses in question were medical witnesses, and the court was considering merely the usual exception in favor of medical witnesses, to the rule requiring exclusion of all witnesses but the one testifying. The court held that where a physician is testifying as a fact witness he is not entitled to the exception of the rule, but where he is testifying as a medical witness he will ordinarily be permitted to be present to hear all the testimony, since his presence and observation are necessary in order to form the medical opinion he is to express. The trial was in open court and there was no question of the preservation of trade secrets.

Leach *v.* State, 22 Tex. Ct. of App. Rep. 279, was a criminal case like Johnson *v.* State. No one of these three cases cited by defendants was a trade secret case, or throws any light upon the manner of conducting a trade secret case.

Badische Anilin und Soda Fabrik *v.* Levinstein, Law Rep. 24, Chancery Div. 156, was a patent in-

fringement suit, in which the defendant alleged that his procedure was his own private trade secret, and not that covered by the patent. The Court heard the testimony as to this trade secret *in camera,* and the opinion simply states "no persons being present except the parties and their scientific assistants". This decision is not an authority for defendants' contention that defendants have the right to disclose plaintiffs' secrets to scientific assistants, or expert or fact witnesses, because there is not the slightest indication that any objection was made on the part of the owner of the trade secret to the presence of scientific assistants of the opposite party, nor any indication that the Court considered the propriety or legality of their presence. *The opinion simply recites the fact that they were present.* On the contrary, the Court in the Taylor Iron & Steel Co. *vs.* Nichols case, *supra,* excluded even one of the parties to the suit during the taking of testimony as to the trade secret, that party not already knowing the trade secret. And in the present case, we have only one respondent apprised of the matters in issue and submit that the other respondents should be excluded from knowledge thereof.

Johnson Steel Street Ry. Co. *v.* North Branch Steel Co., 48 Fed. Rep. 191, was an application to punish for contempt a witness who refused to obey a *subpoena duces tecum* and produce certain documents called for by the subpoena. It is well settled that a witness must obey such a subpoena and must produce all the documents called for therein. Whether they should be admitted in evidence, however, is a question which is determined only when an attempt is made to offer them in evi-

dence. If a witness is subpoenaed to give testimony relative to matters which are privileged, he must obey the subpoena, and he must go on the stand and be sworn. It is not until the issue is directly raised as to whether he shall answer, however, that he can claim his privilege. Where a witness is subpoenaed, as in the Johnson Steel Street Ry. Co. case, he must obey the subpoena and produce the papers, which, we understand, was the real issue in that case. If he has any claim of privilege it must be raised when an attempt is made to introduce the secret matter in evidence. It will be noted, also, that the application to punish for contempt was made in the Western District of Pennsylvania, and that the case was pending in the Eastern District of Pennsylvania. Plainly, it was not competent for a Judge in the Western District of Pennsylvania to rule on the introduction of evidence in a case in the Eastern District of Pennsylvania.

The case of Dowagiac Mfg. Co. *v.* Lochren, 134 Fed. 211, was a case relating simply to the production of information from books of account.

Baird *v.* Cochran, 4 Sergeant & Rawle, 397, was an action on a promissory note and the question for the Court was whether a witness who was interested in the event of the suit (having promised to indemnify the indorsee, in case he should not recover of the drawers) could be compelled to give testimony against his interests.

Hovey *v.* Elliott, 167 U. S. 409, was a case where the Supreme Court of the District of Columbia had ordered the answer of a defendant in a chancery suit to be stricken from the files and a decree to be entered that the bill be taken *pro confesso*, because he was held to be guilty of contempt in

neglecting to pay into Court the money held by him which was the subject of controversy in the suit, and declined to appear when summoned to do so, the Supreme Court holding that the lower Court should have punished for contempt, instead of striking out his answer to the bill.

McClatchey *v.* Superior Court, 51 Pac. Rep. 969 (1897), was a case of punishment for contempt of an editor for falsely publishing a report in relation to a cause on trial, and the Judge refused to allow the accused to make a defence in justification of the alleged contemptuous acts.

Interstate Commerce Commission *v.* Louisville & Nashville R.R., 227 U. S. 88 (1913), related to a finding without evidence, and held it to be arbitrary and useless and inconsistent with the Constitution, but held that administrative orders *of a quasi judicial* character are void if a hearing is denied or is manifestly unfair.

Fayerweather *v.* Ritch, 88 Fed. Rep. 713, was an action between the beneficiaries under a will, and the executors, where the next of kin claimed an interest on the ground that releases of their interest were obtained by fraud. The case was decided on grounds not involving this issue of law, and without passing on that point. Held, that the rights of the next of kin had been decided without due process of law.

It will be seen that respondents' authorities have no bearing on the question before the Court, namely, whether respondents may disclose petitioners' trade secrets to any one whom they may choose, and thus destroy the very property which the Court is asked to protect.

Petitioners acknowledge that their trade secrets must be put in evidence in order to entitle them

to a decree. They desire to place them in evidence under the protection of the Court. The interlocutory order of March 26, 1915, is the only manner in which they can be protected until the final determination of the suit. The order covers disclosure both in and out of court, at any time, and until the further order of the Court. And it goes no further than to grant this necessary and just protection.

Several of respondents' authorities also appear to be directed to the point that a Court will not protect a witness from disclosing his own trade secrets when he is questioned as to them on the witness stand and implying therefrom that petitioners cannot expect the protection of their alleged trade secrets. This is not the law.

If a witness could be compelled to disclose his trade secrets merely because he is a witness, and where those secrets are not directly in issue, then it would be perfectly possible for any trade secret pirate to learn the secrets of a manufacturer. He would need only to bring such a litigation that he could call the manufacturer as a witness, with or without a *subpoena duces tecum*, according to the circumstances of the case, and ask him questions which would bring out his trade secrets. This would render property based on trade secrets insecure in the highest degree, and would be contrary to public policy, which seeks to protect and to encourage the production of such property. In the following cases, the Court refused to compel a witness to disclose his trade secrets.

In Tetlow *v.* Savournin, 15 Phila. 170, a manufacturer of cosmetics sought by bill to restrain the defendant from using his trade-marks. The defendant answered that the plaintiff's

articles were injurious, and therefore should not be protected. Discovery by the plaintiff of the ingredients of his articles was not compelled under these circumstances.

In Moxie Nerve Food Co. *v.* Beach, 35 Fed. Rep. 465, his Honor, Judge Colt, cited with approval Tetlow *v.* Savournin and followed it. In the Moxie Nerve Food case a witness for plaintiff had testified on direct examination as to the uses and effects of Moxie Nerve Food, but had not been asked as to any particular ingredient thereof. The defendants sought, on cross-examination, to compel a disclosure of the ingredients. Judge Colt first ruled that the question was not proper cross-examination, and then said:

> "But aside from this, I have grave doubt whether the witness can be obliged, under the circumstances existing in this case, to disclose what is evidently a trade secret, the result of which might be to ruin his business. I have examined with care the briefs of counsel, and it must be admitted that the question is not free from difficutly. I am strongly impressed, however, that it would be inequitable to force the witness to make the disclosures called for, and therefore, unless bound by authority, I must deny the motion. The defendants have failed to produce any authorities in their favor upon the exact point in issue. The complainant supports its position by reference to the case of *Tetlow* v. *Savournin*, 15 Phila., 170, 11 Wkly. Notes Cas. 191, where a rule for attachment against the plaintiff for his refusal to answer what ingredients his goods were composed of was dismissed. The counsel for the plaintiff in that case urged that the whole commercial value of such proprietary manufacturers depends upon secrecy as to their composition, and pro-

tested against depriving a man of his property by such a proceeding as this. If these questions must be answered, every manufacturer will be at the mercy of any one who desires to extort from him an account of his process, for an attempt to restrain an infringer would result in the disclosure of all that makes the invention valuable. The case was heard before Judge Mitchell and Judge Hare. It seems to me that the arguments urged in *Tetlow* v. *Savournin* against the right of the defendant to oblige the witness to make disclosure are sound, and are applicable to the present case. Motion dismissed."

In Canada, in the case of Starr Kidney Pad Co. *v.* Greenwood, 3 Ont. 280 (1884), the case was an action on a note for the purchase price of kidney pads said to have a certain curative quality. The defendant set up fraudulent representations as to the curative quality of the goods, and sought to bring out the secret medical formula from the plaintiff, but the Court ruled that the formula was privileged, and refused to compel an answer.

As stated before, however, the specific question before this Court appears never to have been decided. It is a question which involves fundamental considerations of public policy. Is it of greater benefit to the public to protect trade-secret property and thus hold out the inducements to experiment and improve, or is it of greater benefit to the public that a defendant in a trade secret suit be given license to destroy the trade secrets for the personal convenience of himself and his counsel? If the greater benefit lies in the latter, it will enable every defendant in a trade secret suit to say, "You cannot litigate this question. You cannot litigate any trade se-

cret case. If you have a trade secret and try to prevent my using it, I will disclose it to your competitors. Which do you prefer, to let me use it or have all your competitors use it?" Such a situation surely cannot receive judicial sanction.

Due Process of Law.

Respondents also advanced the proposition in the Court of Appeals that the injunctions granted herein deprived them of due process of law. This clearly is without merit.

"Due process of law" does not require or permit respondents to disclose petitioners' secrets to expert or fact witnesses, or persons used in an advisory capacity, except counsel. Due process of law is thus defined (8 Cyc. 1080):

> "'Due process of law' *in each particular case* means such an exertion of the powers of government as the settled maxims of the law permit and sanction, and *under such safeguards for the protection of individual rights* as those maxims prescribe *for the class of cases to which the one in question belongs.* It has also been defined as * * * An orderly proceeding *adapted to the nature of the case,* in which the citizen has an opportunity to be heard, and defend, enforce and protect his rights." (Italics ours.)

Considering the "nature of the case," due process of law certainly requires that the property in issue (the trade secrets) be preserved from destruction by the very proceeding intended to protect them, and this requires that respondents be restrained from disclosing those secrets. Otherwise, the trial would lead to the "flat ab-

surdity'' mentioned in the opinion of the District Judge (R., 46).

''Due process'' means a proceeding ''appropriate to the case, and just to the parties to be affected'' (*Hagar* v. *Reclamation District,* 111 U. S. 701; *Turpin* v. *Lemon,* 187 U. S. 51), or ''suitable and proper in the nature of the case'' (*ex parte Wall.,* 107 U. S. 265, 289), or ''appropriate to the nature of the case'' (*Davidson* v. *New Orleans,* 96 U. S. 97, 105).

Considering the ''nature'' of the present case, it is evident that the disclosure insisted on by respondents would result in the destruction of the very trade secrets which petitioners are endeavoring to protect. The number of persons to whom respondents could disclose the trade secrets in their fishing expedition for possible witnesses would be limited only by the number of persons engaged in or familiar with the artificial leather industry. This obviously would result in informing the entire industry of the trade secrets which petitioners have spent years of time and thousands of dollars in developing.

An injunction against everyone in the industry would be a travesty. Even if such injunctive relief could be considered, it would afford inadequate protection. A trade secret known to a hundred competitors would not be a trade secret but a trade proverb. The result of attempting to protect a trade secret process known to every manufacturer in the industry well may be imagined. The difficulty of protecting trade secrets is demonstrated most effectually by the difficulties petitioners have encountered in attempting to protect their trade secrets in the present suit. If this difficulty was multiplied by the number of per-

sons to whom respondents might wish to disclose the trade secrets, petitioners might as well close their laboratories and return to old methods of manufacture.

It certainly is possible for respondents to ascertain what any person "skilled in the art" knows concerning subjects relevant to the trade secrets in issue, without a disclosure of the trade secrets. An injunction against disclosure, therefore, will not deprive respondents of any substantive right, since they are not prevented from being heard on the question of public knowledge of the trade secrets. Such an injunction, moreover, only regulates the *procedure* which respondents must use in obtaining this evidence. And this regulation merely carries out the agreement not to disclose the trade secrets under which the principal respondent obtained knowledge of the trade secrets.

The question of *procedure* in a suit often has been held by this Court not to be subject to the "due process" clause, so long as substantive rights are not taken away. In *Louisville & Nashville R. R. Co.* v. *Schmidt*, 177 U. S. 230, 236, it was held:

> "It is no longer open to contention that the Due Process Clause of the 14th amendment of the Constitution of the United States does not control mere forms of procedure in State Courts, or regulate their practice."

The same doctrine is expressed in *Fong Yue Ting* v. *United States*, 149 U. S. 698, 729, which held:

> "It is within the acknowledged power of every legislature to prescribe the evidence

which shall be received, and the effect of that evidence'' (citing numerous decisions).

See also *Willoughby on the Constitution,* Vol 2, page 860, paragraph 462.

The present issue involves matters parallel with those considered in the above decisions and therefore for similar reasons the ''due process'' clause does not require any particular method of procedure in procuring and presenting evidence on the question of alleged public knowledge of the trade secrets in issue. The injunctive relief for which petitioners ask merely requires that respondents shall obtain and present such evidence without the use of questions which not only would be inadmissible at a trial as leading, but also destructive of the subject matter in issue. This method of obtaining evidence possibly may be a little less convenient for respondents, but it is the usual method of interrogating prospective witnesses. In preparing a case for trial it is customary to ascertain what the proposed witness knows. If counsel first told prospective witnesses what it was desired to prove, the conflict of testimony on issues of fact would be even greater than it is now in trials. And the witnesses might be perfectly honest in believing that the long past occurrence happened exactly as suggested by the statement of counsel. But any inconvenience to respondents in the present case would seem to be heavily outweighed by the wholesale destruction of trade secret property which would result from disclosure of the trade secrets. In other words, the ''nature of the case'' requires that a defendant be subjected to a possible though improbable inconvenience, in order to protect the subject mat-

ter of the suit and the entire substantive law protecting trade secret property. The rights of the public that inventors shall be encouraged to make discoveries and use them, is paramount to the mere convenience of any individual. And in addition, the "due process" clause does not apply to the particular disclosure for which respondents contend. Although the injunction order and the *pro forma* decree are not limited to questions of procedure, the basis of respondents' objection thereto does rest on questions of procedure.

Opinion of the Court of Appeals.

With the utmost respect for the learned Court of Appeals below, we feel compelled to suggest that possibly its opinion was based on a misapprehension of the nature of trade secret property and the rights and liabilities of an owner thereof. The learned Court lays emphasis twice on the necessity of disclosing trade secrets to the defendant (R. 56, 57).

As we have pointed out above, a defendant **necessarily** must know the trade secrets; otherwise he would not be a defendant. The owner of trade secret property can protect his rights only against one who has stolen the trade secrets from him or against one who is about to disclose or use them in betrayal of confidence placed in him.

We desire also, but most respectfully, to call the attention of this Court to the following extract from the opinion of the learned Court of Appeals:

> "We will only add that we repose implicit confidence in the honor of defendant and his counsel that in the preparation and the conduct of his side of this difficult case

> they will impress strongly on such of their witnesses as must of necessity learn something of the subject-matter the serious obligation these witnesses assume to preserve inviolate the secrecy of these processes until their true character shall be finally determined." (R. 56.)

Now when it is considered that a trade secret case cannot be sustained unless it be proved that the defendant is without honor (that either he has stolen the trade secrets or is about to disclose or use them in breach of confidence) it would not seem that the learned Court should determine before trial the main issue of the case by reposing implicit confidence in the honor of the defendant. Petitioners have placed their property under the protection of the Court because they believe the principal respondent is without honor. Yet the learned Court appears to take the property placed under its protection and place it in the care and custody of respondents with the finding that their honesty is established.

The learned Court of Appeals also indicates its belief that an injunction directed against the witnesses to whom defendants disclose the trade secrets, will be ample protection. It says:

> "We think that the power of the court to enjoin and enforce secrecy on all the participants in such a trial is likely to be effective, * * *" (R., 56).

Theoretically, this may be so; but practically, it would seem *not* to be.

In the first place, if injunctions always were effective, contempt proceedings would not form a necessary part of our system of law, and would not appear so often in the reported cases. In the

second place, many trade secrets, if disclosed to a competitor, could be used successfully without detection. The difficulty of obtaining evidence of infringement in patent cases, particularly where processes and chemical inventions are involved, is well known. And in the third place, where would the disclosure end? The present respondents may disclose the trade secrets to ten competitors. If it was necessary to bring suit later against each of the ten, each might disclose to ten other competitors, and if it was necessary to bring suit against each of the hundred, each of these might disclose to ten others. The precarious nature of trade secret property, and the many defenses thereto, such, for example, as independent discovery or knowledge obtained without the imposition of secrecy, indicate conclusively that a trade secret disclosed is a trade secret lost. The present suit, a case in which the issues seemed so clear that a just determination could not help being reached speedily, was instituted two and a half years ago. If the suit against a principal defendant, and he a former employee who was most closely connected with the trade secrets in issue, furnishes so many obstacles, your Honors cannot fail to appreciate the difficulties incident to innumerable suits against those to whom the trade secrets might be disclosed in an endeavor to obtain protection against the first alleged wrongdoer. The injunctive relief suggested by the learned Court of Appeals, therefore appears to be wholly ineffective and unpractical. It would afford no protection.

Furthermore, the danger of disclosure to patently improper persons must not be overlooked. Certainly disclosure should not be made to the

dishonest or untrustworthy. But if the trial court is to test the qualifications of expert and fact witnesses as to honesty and trustworthiness, it will necessitate trying so many collateral matters as to impede the progress of the Court.

In addition, persons who are not produced as witnesses, or who are approached on a fishing expedition for evidence, or who act merely as "advisers" to respondents and their counsel, never would appear before the Court. If disclosure begins, where will it end? The principal respondent, by accepting employment at a salary satisfactory to himself, agreed not to disclose the trade secrets in issue. Should the Court permit him now to violate his agreement because of a supposed personal advantage? The law of specific performance as applied heretofore forbids such a breach.

In a suit for specific performance to enforce a covenant in a contract not to engage in business, Lindley, M. R., said in Underwood & Son *v.* Barker (1899), 68 Law Jour. n. s. Ch. Div. 201, P. 203—

> "If there is one thing more than another which is essential to the trade and commerce of this country, it is the inviolability of contracts entered into; and to allow a person of mature age, and not imposed upon, to enter into a contract, to obtain the benefit of it, and then to repudiate it and the obligations which he has undertaken, is *prima facie* at all events, contrary to the interests of any and every country. Of course, I am not speaking of contracts induced by fraud, duress, or undue influence, or impeachable on any other recognized ground of invalidity. Omitting all such cases, the public policy which allows a person who obtains employment on certain terms

> understood and agreed to by him to repudiate his contract conflicts with and must, to avail the defendant, for some sufficient reason, prevail over the manifest public policy which, as a rule, holds him to his bargain."

It will be noted that the learned Court of Appeals in the present case directs its opinion to the Order of April 13th and holds that the respondents would be unduly hampered by such an order. Petitioners agree that such is the case. The hampering features of this Order of April 13th as to consultation and examination are not present with the approval of petitioners. The Court of Appeals was asked by petitioners only to affirm the Order of March 26th, and to affirm the Order of April 13th only in so far as it provides that the Order of March 26th shall stand. See affidavit of Edwin J. Prindle, as follows:

> "That plaintiffs never have asked and no order has been entered preventing defendants from consulting with any person or expert. That they were enjoined simply from *disclosing* the trade secrets in issue, particularly to competitors, as such disclosure will destroy the subject-matter of the suit." (R. 26.)

Your Honors will find this additional matter appearing for the first time in respondents' motion to vacate (R. 23) and the order entered thereon (R. 46-47). (See also folded page 8 herein.)

Conclusion.

It is submitted respectfully that a situation has been presented of importance to all classes of people. The entire law of trade secrets is in jeopardy by an ingenious defense which has been sustained by the learned Court of Appeals on the ground that general legal principles necessitate the destruction of trade secret property. Respondents and the learned Court of Appeals say petitioners must take the risk of this destruction if they apply to the Courts for relief. If such is the case, it is submitted respectfuly that our system of jurisprudence is inadequate to protect fully the public interest. We do not believe it is inadequate and ask, therefore, for the affirmance of the order of March 26, 1915, and the modification of the order of April 13, 1915, as indicated in red on folded page 8 herein.

Respectfully submitted,

EDWIN J. PRINDLE,
Counsel for Petitioners.

WARREN H. SMALL,
JOHN P. LAFFEY,
KENNETH S. NEAL,
Of Counsel for Petitioners.

January, 1917.

FEB 27 1917
JAMES D. MAHER
CLERK

No. 210.

OCTOBER TERM, 1916.

IN THE

Supreme Court of the United States

E. I. duPONT deNEMOURS POWDER COMPANY and duPONT FABRIKON COMPANY, Petitioners,

vs.

WALTER E. MASLAND, CHARLES H. MASLAND, MAURICE H. MASLAND, CHARLES W. MASLAND, FRANK E. MASLAND and J. WESLEY MASLAND, Respondents.

BRIEF FOR RESPONDENTS, APPELLEES.

JOHN G. JOHNSON,
FRANK SMITH,
For Appellees.
1335 LAND TITLE BUILDING,
PHILADELPHIA, PENNSYLVANIA.

ALLEN, LANE & SCOTT, PRS., PHILADELPHIA.

CASES CITED.

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In the Supreme Court of the United States.

E. I. duPont deNemours Powder Company and duPont Fabrikoid Company, Appellants,

vs.

Walter E. Masland, Charles H. Masland, Maurice H. Masland, Charles W. Masland, Frank E. Masland and J. Wesley Masland, Appellees.

BRIEF FOR APPELLEES.

QUESTION INVOLVED.

To a Bill filed against him by a former employer, which averred that he intended to engage in a manufacturing business in which he would employ secret formulae belonging to the complainant, with which he had become familiar in the course of his employment, the employe, under oath, admitted his intention to carry on the alleged business, but averred that the formulae or processes claimed to be secret were not such, but were known to those in the trade and were in general use.

A preliminary injunction was issued by the trial Judge, enjoining the respondents, *inter alia*, from disclosing the processes, apparatuses, articles of manufacture, compositions of matter, or new and useful improvements

claimed to be the property of the plaintiffs, "to experts or to fact witnesses produced at or during the taking of proofs of trial, but excepting therefrom defendants' solicitors or counsel and subject to leave granted defendants to move to vacate said injunction if occasion to consult expert witnesses or otherwise arises."

At the trial of the cause, after same testimony had been taken, the respondent and his counsel filed affidavits averring that it was impossible properly to conduct the defense under this injunction, and moved to vacate it. A decree was then entered in these words (Record p. 47):—

> "Upon consideration of" (said) "motion * * * "to vacate the preliminary injunction * * * "in so far as the same applies to the right of the "defendants or their counsel to directly or indirectly "disclose any and all processes, apparatuses, "articles of manufacture or compositions of matter, "or any new or useful improvements thereon, in "issue herein, claimed to be the property of the plain- "tiffs, to expert or fact witnesses produced at or "during the taking of proofs of trial, including the "right to consult with expert or fact witnesses re- "garding the same, either during cross examination "or in preparation or presentation of the defendant's "case, and after argument of counsel, the said motion "is denied * * * and it is ordered * * * "that the preliminary injunction * * * shall "stand: *Provided* that defendant shall not be de- "prived of the right to examine expert and fact "witnesses, excepting as to said processes, appara- "tuses, articles of manufacture or compositions of "matter, or any new or useful improvements there- "on, in issue herein, and claimed to be the property "of the plaintiffs."

Upon appeal to the Circuit Court of Appeals from this preliminary injunction and decree, they were reversed.

Was this reversal proper?

STATEMENT OF CASE.

The appellees are Walter E. Masland, his father, and four brothers, all of whom were accused, in the Bill filed, of having entered into an agreement to manufacture artificial leather by using secret processes of which Walter E. Masland, a former employe, had obtained knowledge during the course of his employment.

All filed answers in which they swore, most unequivocally, that they had neither entered into, nor proposed to enter into, any agreement or arrangement for the manufacture of artificial leather, by any processes, secret or otherwise.

Walter E. Masland, a former employe, admitted however that he intended, individually, to manufacture artificial leather, but denied under oath, most unequivocally, that he intended to use any secret processes, of which he had acquired knowledge in the course of his employment. He averred that what the appellants claimed to be possessed of as "secret processes," were not such, but were processes in general use in the artificial leather manufacturing business.

The Bill averred that Walter E. Masland had entered into the employ of the first named appellant in 1905, as a technical employe and had been so employed, in the chemical department, until 1914; that said appellant in August, 1910, had purchased the business of a concern manufacturing artificial leather; and that about three years after, in 1913, it had sold all the assets, processes and property relating thereto, to the second named appellant.

It further averred that in the early part of 1912, Walter E. Masland had been placed in charge of its experimental work in inventing and discovering new and useful processes, apparatus, and new and useful improvements thereof, in connection with the manufacture of artificial leather; that he had had full access, by reason of his connection with such work, to valuable discoveries, inventions and trade secrets

developed at the manufacturing plant of the appellants: and that, upon information and belief, the Maslands were about to engage in the manufacture of artificial leather, and intended to utilize said secret processes, apparatuses, etc.

It prayed an injunction against the appellees from making, using, selling or disclosing any such secret processes, apparatuses, etc.

All the defendants, but Walter E. Masland, denied any knowledge of the subject matter or any intention or agreement to enter into any manufacture of artificial leather.

Walter E. Masland admitted his intention to enter upon such manufacture upon his individual account, but denied any intention to use plaintiff's inventions or trade secrets. He averred his intention to manufacture artificial leather by processes which were the common knowledge of artificial leather manufacturers, and to use some basic raw material which, so far as he knew, was not used, and never had been used, by the appellants; but which were used, in some degree, by competing companies. The claim of the complainants that they employed processes he intended to use which were secret was denied.

He further averred (Record p. 10):—

> "I aver and state and expect to be able to prove
> "upon the trial of this cause that knowledge regard-
> "ing these materials is common to all artificial leather
> "makers. I have no intention to use or disclose any
> "knowledge obtained by me in any confidential
> "relation, while in the employ of the E. I. duPont
> "deNemours Powder Company, or its predecessor,
> "or when in the employ of any other concern or
> "concerns whatsoever. I include in this my alleged
> "employment by the DuPont Fabrikoid Company.
> "* * * I further aver and state that many of
> "those things claimed by the plaintiffs as secret
> "processes and formulae are well known to the
> "trade. But, of those things belonging to the plain-
> "tiffs, which are covered by invention, or those things

"which constitute trade secrets or secret processes, "and which I may have learned in any confidential "relation, I aver and state that it is not, has not been "and that it will not be, my intention to either my- "self use or utilize or to disclose or discover to any "other person or persons, individually or corporately, "whatsoever."

Walter E. Masland, before entering into the employ of any of the appellants, had perfected himself in chemistry by seven years study, the last four years of which had been spent at the University of Pennsylvania. At the time of his resignation he was receiving $2700 per annum compensation, which had been given to him only during a period of three months, and only after nine years' service. His compensation prior to this rise had been but $2200 per annum.

He had resigned his employment because of his belief that he was not receiving sufficient compensation for his services, and of his dissatisfaction with the manner in which others, through alleged favoritism, had been promoted over him.

Having on the 1st day of June, 1914, given notice of his intention to leave, the Bill of Complaint was filed in about a month thereafter without any previous notice to him.

The averment in the Bill, of the intention of Walter E. Masland, with the other defendants, to engage in the manufacture of artificial leather, utilizing appellants' secret processes, apparatuses, etc., was made (Record 5) upon information and belief.

An application for a preliminary injunction was refused by District Judge Dickinson in an opinion filed on the 5th of August, 1914, because, among other reasons, no finding against the defendant of any intention to disclose was at the time justified. (Record 16).

This refusal was after hearing voluminous affidavits filed on behalf of appellants, and an answer, an affidavit filed on behalf of appellees.

About the 5th of November, 1915, appellants applied for leave to take the deposition *de bene esse* of one Dr. Fin Sparre, an expert witness, and an argument was had upon this application, as to the method of procedure, in order to preserve the alleged secrets which the plaintiffs claimed to belong to them. The question of the propriety of the presence of expert witnesses at the taking of the depositions was then raised, counsel for appellees stating it to be his intention to show to any expert whom he might call, the list the plaintiffs were going to put in evidence, describing their alleged trade secrets. He stated that it was not his intention to speak of any alleged confidential matter prior to the day of trial; but that, during the trial, he deemed it his right to show the list to his expert witnesses, to confer with them, and finally, to call upon them as witnesses, asking them questions as to the secrecy of the alleged secret processes.

The appellants then renewed their application for a preliminary injunction because of these remarks of counsel. This motion was argued in the latter part of November, 1914; but no opinion was filed until 25th February, 1915, when leave was granted to counsel to submit a form of restraining order (Record 22).

No order was actually made, however, until after the case had been called for final hearing. On the second day of the trial, after three witnesses had been put on the stand by the appellants and whilst the examination in chief of a fourth was to be held, the attention of the Court was called by counsel for appellants to the fact that no decree had been made after the filing of the opinion granting a preliminary injunction upon the second application. In the midst of the examination of these witnesses, the Court then filed the decree of 26th March, 1915. It is in these words (Record 22):—

> "Defendants * * * are enjoined and pro-
> "hibited until further order of the Court, from
> "directly or indirectly disclosing any and all pro-
> "cesses, apparatuses, articles of manufacture, or
> "compositions of matter, or any new and useful

"improvements thereof, in issue herein claimed to "be the property of the plaintiffs, including the "disclosure to experts or to fact witnesses produced "at or during the taking of proofs of trial, but "excepting therefrom defendants' solicitors or counsel "and subject to leave granted defendants to move "to vacate said injunction if occasion to consult "expert witnesses or otherwise arises."

After this had been done, the hearing was continued until the 7th April, 1915, when counsel for appellees filed a motion to vacate the preliminary injunction which had been granted on the 26th March (Record 23):—

"In so far as the same applies to the right of the "defendants or their counsel to directly or indirectly "disclose any and all processes, apparatuses, articles "of manufacture or compositions of matter, or any "new or useful improvements thereon, claimed to "be the property of the plaintiffs, to expert or fact "witnesses produced at or during the taking of "proofs of trial, including the right to consult with "expert or fact witnesses regarding the same, either "during cross examination or in preparation or "presentation of the defendants' case."

It is somewhat difficult to understand the point of the appellants' statement which alludes (Appellants' Brief 6) to "diverting and additional matter interjected by respondents," or what is stated about never having asked for the prohibition against appellees "consulting with and examining witnesses concerning the trade secrets" (Appellants' Brief 9).

It is very certain that the appellants contended, and now contend, that the appellees have no right to consult in advance, or at the trial, with expert witnesses, concerning the fact of secrecy or publicity of the alleged secret processes, or to examine expert witnesses concerning such fact.

The motion to vacate was accompanied by affidavits of Walter E. Masland and of his counsel. The purport of these (Record, pages 23-24) was, that it had been impossible, properly to conduct the defense, because the injunction which had been granted deprived the appellees of the ability intelligently and helpfully to present their case to the Court.

These affidavits averred that said Masland's knowledge of artificial leather manufacturing was not sufficient to permit of his properly assisting and helping counsel in the preparation and trial of the case, and that, unless the injunction was vacated, in so far as the same restrained the appellees and their counsel from consulting with expert witnesses regarding matters testified to by appellants' witnesses, they would be entirely unable to present their case properly to the Court and would be deprived of their right to be heard; and that said Masland, by reason of his personal interest in the outcome of the case, was unable to advise with, and make suggestions to, his counsel, as amply and sufficiently as the same could be presented by a disinterested expert witness.

The affidavit of appellees' counsel was to the effect that he had been greatly handicapped by the fact that he had been unable to have the assistance of expert witnesses, and that if the injunction should be continued, his clients would be deprived of their opportunity to be properly heard and of the proper presentation of their case; and that by reason of the number of prominent witnesses at the call of the appellants, great advantage would be given to them over his clients.

Replying affidavits were filed by the appellants, in which they claimed that said Masland their one time $2200 per annum employe, was himself a great expert and that he knew more than all the experts of the appellants combined, about the subject. The principal matter of the replying affidavits was embodied in one made upon information and belief by the counsel of the appellants.

Walter E. Masland was a chemical expert, as the affidavits averred, not a manufacturing expert, and was unable to testify as to the manufacturing processes which were generally known and used.

Affidavits attacking the character of one of the proposed experts, Charles E. Walker, were, we submit, satisfactorily met by the affidavit of Walker himself.

Had the injunction decrees which had been entered, stood unreversed, it would have been impossible for the appellees to confer with experts concerning the matters which would be testified to by the appellants and their witnesses, expert and others, either during the cross examination of such witnesses or in the preparation or presentation of the case of appellees.

The Circuit Court of Appeals, in its opinion delivered by Judge McPherson, said (Record, 55):—

> "In the first place, it should be observed that the "situation does not present the question, how a "conceded trade secret should be protected: it is "true, the company asserts these formulas to be its "own private property, but the defendant denies "the assertion, declaring them to be matters of "common knowledge, and the district judge has "found this issue to be tendered in good faith. By "whom, therefore, and how, is this fundamental "controversy to be decided? Obviously, by the "tribunal to which the company itself has appealed, "and by the use of the flexible procedure and the "elastic process of a court of equity. It is un-"deniable that the subject matter of the dispute is "property—perhaps of much value—namely, the "defendants' right to pursue a lawful business un-"molested, as well as the company's right to prevent "competitors from making an unlawful use of its "private methods. But the peculiar nature of the "property requires the Court to take peculiar care "to avoid doing injury to either party. If the for-"mulas are in realty trade secrets, they are entitled "to protection; if in fact they are already well "known, the defendant has a right to use them freely.

"The truth upon this subject is therefore the very "first fact to be determined, and the Court could "not evade that duty, even if it so desired. The "method of ascertaining any fact in the trial of a "cause is so largely within the discretion of the trial "judge that an appellate Court is not likely to "interfere with details of administration; these must "of necessity be entrusted to the better judgment of a "Court of first instance. But there are certain "fundamental rights to which a defendant is entitled "if he is to enjoy due process of law. Among them "are these; he must be allowed to learn his ad- "versary's case, and he must be heard in his own "defense. In order to be heard (within the proper "meaning of that word) he must be allowed to pre- "pare his defense, and this he cannot do unless he "be permitted to consult with witnesses upon the "matters in issue, and to examine them in Court "according to the established rules that govern a "trial. If a trial involves a question that can only "be properly understood by the aid of expert testi- "mony, he must be allowed to consult such witnesses "in order that he may have the help of their skill and "knowledge.

"When in the course of a plaintiff's case he is "obliged to disclose a process whose secret character "is in dispute, he necessarily offers the process to be "examined by his antagonist as well as by the Court; "and, while the Court may and should guard the "disclosure as carefully as possible, the defendant "cannot be denied his right to a proper presentation "of his defense. Ordinarily he cannot be confined to "testimony from his own lips; he is entitled to call "other witnesses in support of his asserted right, "and he is equally entitled to confer with them in "advance. And, if this involves a certain risk in "case the process should turn out to be really a secret, "we do not see how the risk can possibly be avoided. "The method of taking testimony in Court is always "in the power, and largely in the discretion, of the "trial Judge, and in such a case as this the hearing "is properly in camera with such restrictions on the

"presence of witnesses as the circumstances may "fairly indicate, and as the rights of the parties may "permit. We think that the power of the Court to "enjoin and enforce secrecy on all the participants "in such a trial is likely to be effective, but after all, "some risk must inevitably be run; a trial is a trial, "and a Court is a Court, where a judicial hearing can "only be conducted by obeying the fundamental "rules that govern such investigations. We cannot "avoid the conclusion, therefore, that the order in "question restricted the defendant unduly in the "exercise of his right to be heard; as it stands, he "would find great difficulty in putting an expert on "the stand, and practically he could call no other "witness than himself. At all events, he would be "so hampered that little freedom would remain. We "make no suggestion about the manner of conducting "the trial; it is not for us to offer advice on this "subject, and we are sure that the trial Judge will "continue to act with the scrupulous care and caution "he has already displayed. But the order before "us is too sweeping, and should be modified in accord- "ance with this opinion. Our knowledge of the "situation is necessarily imperfect, and we cannot "undertake to do more than state the foregoing rules. "Before the mandate issues, perhaps the parties may "be able to agree on details; if not, we are compelled "to commit the subject of modification to the Court "below, and as already stated the manner of con- "ducting the trial must be left in large measure to the "discretion of the trial Judge. We will only add that "we repose implicit confidence in the honor of the "defendant and his counsel that in the preparation "and the conduct of his side of this difficult case they "will impress strongly on such of their witnesses as "must of necessity learn something of the subject "matter the serious obligation these witnesses assume "to preserve inviolate the secrecy of these processes "until their true character shall be finally deter- "mined. If they turn out to be really secrets the "power of the District Court should be exercised, "and no doubt will be exercised, without hesitation

"to give them adequate protection; if they are really "open to the world no harm will have been done, but "it appears to be inevitable that to some extent a "preliminary disclosure must be permitted."

ARGUMENT.

The appellants devoted much time to the establishment of a proposition which is not denied, *i. e.*, that trade secrets are property and that the violation of such secrets by a confidential employe who had became familiar with them through his employment, may be enjoined.

No question as to, either (1) the property right in such secrets, or (2) the enjoinability of a violation of knowledge concerning them, acquired by an employe, was raised by the pleadings. The sole issue was, and is, whether or not certain processes and formulae, which were claimed by appellants to be their trade secrets, and not proper to be used by the appellees, were such, or were matters generally known and pursued in the trade.

A clear issue of fact was raised as to whether or not certain formulae which, it was averred, the appellees meant to use were, as appellants averred, trade secrets, or were, as appellees averred, matter of public notoriety and use.

The appellants present with some force the situation which would result from any disclosure concerning alleged trade secrets in the course of a trial. On the other hand, the appellees stand upon their right to have their case tried by testimony expert, and as to facts, with an opportunity afforded to counsel to consult in advance with his witnesses, and to have expert advice in cross-examination.

On the one hand, we have a property right which, because of the application for its protection, may be somewhat impaired. On the other hand, we have the

right, inherent in every person, to a fair trial, unhampered by the exclusion of any relevant testimony.

The appellants come into Court and demand relief by asserting the existence of a fact denied by the appellees. They assert that they possess certain secret processes. The burden is upon them, who aver the fact, to establish the secrecy by proof. The right of defense by disproof by competent testimony, is one to which the defendants are entitled.

It necessitates that those who assert the secret character be met by those who deny. How can witnesses deny that a process of which they are kept in ignorance is secret?

There is no limit upon the number of witnesses or the extent of testimony which may be adduced by the appellants, in support of their averment. Can it be that the appellees must be confined to the testimony of Walter E. Masland alone? Expert witnesses, of course, can and will be called on behalf of the appellants. Why shall the appellees be denied a similar right?

On behalf of appellants, witnesses will be called who will swear that a certain process is secret. How can this evidence be contradicted if those called upon by the appellees do not know the nature of the process.

The attempt on the part of the appellants practically to prescribe the personality of the expert witnesses to be called by the appellees, cannot be sustained. There were serious objections to the acceptance, by the appellees, of the expert witnesses named by the appellants, because of the interest of such expert witnesses or because of their lack of familiarity with the subject.

In our judicial proceedings we have not yet reached that stage in which plaintiffs can dictate as to the only persons who shall testify on behalf of defendants.

The plaintiffs aver that certain formulae are secret processes, possessed by them, and not known to the public. The defendants deny this fact. In what way shall the issue be determined? By unrestricted testimony

on the part of the appellants and by restricted and hampered testimony on the part of the appellees?

There is some suggestion by the appellants that witnesses can be called who can testify to every process known to the public in the manufacture of artificial leather, and that the court can then determine whether the secret process is included in the number. The trial would be endless if conducted upon any such basis, and it might well be that a process quite well known, might be omitted in the recital. A specific process is the subject of controversy. As to that, evidence on both sides should be permitted.

The right of the appellees is directly to challenge, by counter proof, the particular process averred to be secret, as being not of that character.

Undoubtedly appellants' witnesses will testify that the formulae with which they will be familiar, is secret. The counter testimony should rest upon the same basis of knowledge of what is claimed and right to assert the truth concerning the same.

Expert witnesses will be called by the appellants, who will testify to certain facts in regard to the manufacture of artificial leather. Why cannot counsel for the appellees be assisted by expert witnesses in a proper cross examination?

It is manifestly unfair that the appellants should be permitted to testify directly to a fact, whilst the witnesses of the appellees are only allowed to testify to facts which are indirect.

However unfortunate may be the necessity of disclosure of a trade secret, it results from the fact that the appellants raise an issue concerning a right sought to be denied to another which is necessary to be determined by the Court.

The manner in which the Court shall conduct the proceedings may be within its discretion; but there are certain rules which govern the determination of all issues of fact, which the appellees have a right to have enforced. If a course of procedure such as was estab-

lished by the injunction be determined to be one which must be followed in ascertaining facts concerning trade secrets, an overwhelming advantage will be given to the person who asserts the fact of secrecy. A most unjust discrimination will be allowed in the plaintiffs' favor by the abandonment of the ordinary course of procedure, which, during centuries of practice, has been found necessary for the protection of rights.

It may not be amiss to quote what has been said upon this general subject by Judge Coxe in Baglin *vs.* Cusenier Co., 164 Fed. Rep. 25, 28:—

> "It is, of course, unfortunate for the complainants "that their liqueur is made under a secret formula "which, naturally enough, they decline to disclose; "but without such disclosure we are unable to say "with any degree of certainty that the two liqueurs "are not substantially alike. A charge that defend- "ant is perpetrating a fraud must be established by "something more than opinions and conjecture, and "especially is this true, where the party upon whom "the burden rests has it in his power to establish "fraud, if it exists, by proof which it will be practi- "cally impossible to contradict. * * * But they "cannot complain if the Court is unable to find that "the defendant's liqueur is materially different from "theirs without knowledge of its ingredients and the "process by which they are combined."

In Taylor Iron and Steel Co. *vs.* Nichols, 69 Atlantic Reporter (1908) 186, the question of trade secrets was involved, and the matter was considered by the Court of Appeals of New Jersey. In the course of the opinion by Mr. Justice Swayze (page 187) he said:—

> "Our difficulty in this respect arises out of the "manner in which the case was tried. The bill "avers, and the answer denies, that the complainant "has secret processes. * * * It is true that the "procedure involves a risk to the complainant of "his secret becoming public; but that difficulty is "inherent in the subject. It is a difficulty to

"which the complainant must submit if he seeks to "retain the benefit of his secret for an indefinite "time, and is not content with the more effective "protection for a shorter period which is offered by "our copyright and patent laws."

The question of the exclusion of witnesses during the course of a trial is, to a considerable extent, within the discretion of the Court; but such exclusion is confined, so far as we have been able to discover, to those cases in which facts, rather than expert opinions, were to be given in testimony. The right of expert witnesses to be present at the trial and not to be excluded, has been considered to some extent by the Courts.

In Ryan *vs.* Couch, 66 Alabama 244 (1880), the Court passed on the subject as to what persons or witnesses might be excluded from a trial. In the course of an opinion by Mr. Justice Somerville, it was said at pages 248-249:—

"But it is obvious that this rule of exclusion "ought never to be applied, so as to debar a party "to a suit from being present during the progress "of his cause. He has a right to be present, for "the purpose of aiding and instructing his counsel "in prosecuting or defending his suit. * * * It "was within the sound discretion of the Court "below to place the witness, John Ryan, under "rule; and although we should be of opinion that "this discretion was not exercised in furtherance of "justice, it is not a revisable error, subject to review "by the Appellate Court. 1 Greenl. Ev. 431. In "view, however, of the practical importance of the "question raised, and by the request of Appellants' "counsel, we deem it proper to indicate the correct "rule of practice in cases of this character. Where "a Judge is satisfied, from the statement of counsel "in open Court, or otherwise, that a witness in a "cause has acquired such an intimate knowledge "of the facts, by reason of having acted as the "authorized agent of either of the parties, that his "services are required by counsel in the management "of the trial, he ought not, especially in the necessary

"absence of his principal, to be placed under the rule. "All rules of court are to be subordinated, in their "construction and application, as far as possible, to "securing the strict administration of that 'right "and justice,' which are prohibited by the Con- "stitution to be made the subject of 'sale, denial, "or delay.' Const. Art. 1, 14, 'Applicatio est vita "regulae.' Pel. Leg. Max. 18. To exclude such a "one from the valuable privilege of consultation "with the attorney of his principal, during the "progress of a trial, is not required by the reason "of this rule of evidence. The sounder and better "practice is to permit him to remain in the court "room."

It is submitted that the statement of the learned Justice in the foregoing case is most applicable to the one at Bar. Counsel for these appellees have sworn that the services of expert witnesses are required in the management of the trial and to quote from the above, that "to exclude such "a one from the valuable privilege of consultation with "the attorney * * * during the progress of a trial, "is not required by the reason of this rule of evidence."

In Johnson *vs.* State, 10 Texas Court of Appeals Reports, 571 (1881), the Court passed upon the right of expert witnesses to be in Court, and in the course of an opinion by President Judge White it was said at page 577:—

"Ordinarily witnesses who are summoned as ex- "perts, as well as attorneys in the case and witnesses "called to testify to the character for truth and "veracity of a witness, are excepted from the rule "and permitted to remain in the court room while "the rest are sent away. Brown *vs.* State, 3 Texas "Ct. App. 295. When medical experts are called "solely as such, the better and most satisfactory "practice would be to allow them to remain in the "room and hear the testimony of all the other "witnesses, in order that from the whole testimony "they may be able to determine from the evidence "itself the matter upon which their opinion is desired.

"Still, where this has not been done, a hypothetical "case embracing the facts in evidence may in all "cases be submitted to them for their opinion."

Leache *vs.* State, 22 Texas Court of Appeals Reports, 279 is to the same effect, President Judge White, again delivering the opinion of the Court, said at page 306:—

"Ordinarily witnesses who are summoned as ex- "perts are excepted from the rule, and in cases "involving the question of insanity the better and "more satisfactory practice would be to allow them "to remain in the room and hear the testimony of "all the other witnesses, in order that from the "whole testimony they may be enabled to determine "from the evidence itself the matter upon which "their opinion is desired."

In Badische Anilin Und Soda Fabrik *vs.* Levinstein, Law Rep. 24, Ch. D. 156 (1883), the Chancery Division of the Court of Appeals of England considered very carefully the matter of informing the Court as to alleged secret processes and as to who was entitled to be present during the trial. Sir John Pearson, Justice of the High Court, attached to the Chancery Division, wrote a lengthy opinion on the subject. The question turned upon whether or not the defendant's method of manufacture of a certain substance was an infringement upon the patent. The Court had a great deal of difficulty in determining how to proceed with the case, in order to protect the alleged secrets. In the course of his opinion, the learned Justice, at page 170, said:—

"I then required Mr. Levinstein's counsel to elect "whether he would communicate his secret process, "or whether he would not. Mr. Higgins elected to "communicate the secret process, and I then heard "Mr. Levinstein's description of that secret process "with closed doors, no persons being present except "the parties and their scientific assistants."

From the foregoing, it will be seen that even the English Chancery Courts, which have taken a somewhat different position in these matters from that in the United States, have held that both parties had the right, even in proceedings *in camera*, to have their "scientific "assistants," or those whom we would term "scientific "experts," or "opinion witnesses," present at the taking of the testimony. In the Levinstein case, these "scientific "assistants" were allowed to be present even though the Justice, proceeding under Section 56 of their Code, himself retained an expert in order to inform himself "of the "matters relative to the decision to which he ought to "come in the case."

This case must be determined without any theory of fraud perpetrated by the appellees, because none such has been proven. Not only are the averments concerning this, largely upon information and belief, but there has been the most positive denial under oath, of any such charge. The question is solely one as to the right possessed by the appellees to a fair trial in the ordinary manner in which causes are tried in Courts of Justice.

The learned Trial Judge (Record 45) said:—

> "The case was met in the highly commendable "spirit on both sides, of a due regard for the rights "of each other. * * * Counsel for defendant "claims (and we cannot do otherwise than find this "to be in good faith) that it is necessary for them "to employ and confer with experts."

The idea of the learned trial Judge, in the first instance, seemed to be that the expert was excluded only until the time of trial (Record 21–2). He said:—

> "EXCEPT FOR THE PURPOSES OF TRIAL, the defend- "ants have no occasion to consult an expert. Unless "the plaintiffs are ready for an early trial, they are "entitled to no protection *in limine*. * * * It "results from this that the case should be set down "for trial by the plaintiffs at the earliest convenient "time, and in the meanwhile that a restraining

"order issue against any disclosure of processes "claimed to be the property of the plaintiffs. * * * "If an early date for final hearing is fixed, defendants "can submit to an *ad interim* restraining order "without injury."

Because of the ill result which followed this injunction as the result of one day's effort at trial, the appellees, through their counsel, made the motion to vacate, to which we have heretofore referred.

In one of his affidavits, made in this connection, Walter E. Masland (Record 23-4) swore:—

"That he has attempted to advise with his counsel " * * * during the trial of the said case "and has found that it has been impossible to do "so; * * * that it is absolutely and entirely "impossible for these defendants to properly, in- "telligently and helpfully present their case to "the Court and at the same time protect their "rights, without counsel for the defendants being "allowed to confer and consult with expert wit- "nesses; that the knowledge of artificial leather "manufacturing possessed by this affiant is not "sufficient to permit of this affiant properly as- "sisting and helping counsel in the preparation "and in the trial of this case, and that, unless the "Order made by this Court be vacated in so far as "the same restrains the defendants and their counsel "from consulting with an expert witness, these "defendants will be entirely and utterly unable to "present their case properly to the Court and will "be deprived of their right to be heard in open "court. And this affiant further says that by "reason of his own interest in the outcome of the "case, he is unable to advise with or make sugges- "tions to his counsel with as free, clear and untram- "meled mind as could a disinterested expert witness, "and therefore he is deprived of the advantages of "the trial which are enjoyed by the plaintiffs, because "of the ability of their counsel to confer with number- "less expert witnesses upon the subject."

His counsel (Record 24) swore:—

> "* * * in the taking of testimony in open "Court before the Honorable O. B. Dickinson, he "has been greatly handicapped by the fact that he "has been unable to have the assistance of ex- "pert witnesses and has been deprived of the "right to confer with expert witnesses by the order "of the Honorable Court, entered in this case on "the 26th day of March, 1915, and that if the said "order is continued, the defendants will be deprived "of their right to be properly heard and their case "be properly presented in Court; * * *"

Masland has a right to pursue his calling. This right is quite as much one of property as is that of the appellants in alleged "trade secrets."

It is not necessary to refer to what has been said by this Court in this respect in Dent *vs.* West Virginia, 129 U. S. 114 and in Allgeyer *vs.* Louisiana, 165 U. S. 578.

We respectfully submit that no case can be found in which a party to a litigation has been deprived of the right, where expert witnesses were needed, to call them and to consult with them concerning any relevant issue. This right necessarily carried with it the right to direct their testimony to any matter of fact which is averred as against the party on whose behalf they are called.

Practically to enforce an order such as was made by the learned trial Judge in this cause, is to deprive a defendant of "due process of law."

In Hagar *vs.* Reclamation Dist., 111 U. S. 701 (1883), it was held:—

> "It is sufficient to observe here, that by 'due pro- "cess' is meant one which following the forms of law, "is appropriate to the case and just to the parties to "be affected. It must be pursued in the ordinary "mode prescribed by the law; it must be adapted to "the end to be attained, and wherever it is necessary "for the protection of the parties, it must give them "an opportunity to be heard respecting the justice

"of the judgment sought. The clause in question "means, therefore, that there can be no proceeding "against life, liberty or property which may result in "the deprivation of either without the observance "of those general rules established in our system of "jurisprudence for the security of private rights."

Scott *vs.* McNeal, 154 U. S. 34 (1893) held that the words "due process of law," when applied to judicial proceedings, mean a course of legal proceedings according to those rules and principles which have been established in our systems of jurisprudence for the protection and enforcement of private rights.

It may not be amiss to refer to a few of the cases cited by the appellants:—

In Eastman Co. *vs.* Reichenbach, 20 N. Y. Supp. 110, the defendants were men of special skill, employed by the complainant. In a written contract they agreed to turn over to the complainant any discoveries, inventions or improvements in photography to the complainant while in its employ. During their employment the defendants organized a new company as a competitor of their employer and advertised that they would place on the market a certain firm and bromide paper which they had "manufactured and sold for a manufacturer that has at the present time *the market monopoly*."

There was no doubt that the processes were secrets or that they belonged to the complainant. It was taken as admitted from the prospectus that the defendants intended to manufacture their product similar to that of the complainant. In an opinion by Adams J., it was decided that if the processes were a secret, the Court of Equity would, by injunction, prevent any disclosure.

It will be noted in this case that the complainant had a monopoly of this kind of business. The sole defence of the defendants on the merits of trade secrets was based upon the question that some of the ingredients themselves were known to the trade. But as the Court

said, it was the combination of the ingredients which made the secret processes.

In the present case before this Court, the complainant has no monopoly in this business and there are many methods known to the trade.

In S. Jarvis Adams Co. *vs.* Knapp, 121 Fed. Rep. 34, the complainant filed a Bill for the purpose of restraining the defendant from manufacturing and selling certain special metallic castings described therein and from using the processes of manufacture of such castings. It was admitted that the processes were secret. Although the defendant who had been in the employ of the complainants, signed a contract in which he agreed not to ever use this secret formula, he left the employ of the complainant and proceeded to manufacture under the same process. The question arose on a demurrer to the Bill of the complainant. The Bill was dismissed and an appeal taken. Severens, Circuit J. (page 40) said:—

> "In respect to the stipulation not to disclose, sell "or use the methods and processes of the com- "plainant, we think that the allegations of the Bill "taken in connection with the contract of November "12th, 1900, which by reference is made a part of this "Bill are sufficient to show that those methods and "processes were trade secrets which he had no right "to disclose or use."

It being admitted that the processes were secret, of course it was not necessary nor was it material to the issue that the processes be made public.

In Moxie Nerve Food Co. *vs.* Beach, 35 Fed. 465, the question arose on the question of cross examination. The witness testified as to the uses and effect of Moxie. On cross examination it was attempted to bring out the particular ingredients contained therein. These were admitted to be trade secrets. Said Colt J.:—

> "Under rule which prevails in the United States "Courts limiting the right of cross examination of a

"witness to matters stated in his direct examination.
"I do not think the proposed questions to Dr.
"Thompson are admissible."

This was not a question of whether it was or was not a trade secret. It was taken as admitted by the Court. Under conditions of this nature, it would be foolish to contend that in an issue to determine whether a medicine produced certain beneficial results the ingredients must be disclosed. This phase of the case is purely of *dicta* even if admitted to be correct.

When a complaint alleges that a matter is secret, which fact is specifically denied by the respondent, the burden of proof is on the former.

In Hamilton Manufacturing Co. *vs.* Tubbs Manufacturing Co., 216 Fed. Rep. 401 (1908), it was held that in order to entitle a plaintiff manufacturer to protection against the use of its unpatented machines and methods by others, it must appear that they are in fact secret. In passing upon the allegation of fraud, Judge Sater said (p. 412):—

> "The complaintant's case rests on the charge of
> "fraud. The presumption is in favor of the fairness
> "of the conduct of the defendants and of the inno-
> "cence of the accused, and the burden of proof is
> "upon the party asserting the fraud to establish it."

And again, on page 407, he said:—

> "In every case where the plaintiff seeks protection
> "for a trade secret, it must appear that it really is a
> "secret. If a so-called secret process is lawfully
> "known to others in the trade, no one will be en-
> "joined from disclosing or using it."

In Macbeth-Evans Co. *vs.* Schnelback, *et al*, 239 Pa. 76 (1913), the Supreme Court of Pennsylvania considered most carefully the question relating to trade secrets and

disclosures. In the course of a learned opinion by Mr. Justice Elkin, it was said at page 85:—

> "They however must be the particular secrets of "the complaining employer, not general secrets of "the trade in which he is engaged, nor even the same "secrets as those sought to be protected, if they be "discovered by the independent investigation of "outside parties."

And again at page 87:—

> "To be entitled to equitable relief, the burden was "on appellee (complainants) to show: (1) That "there was a trade secret, or, as in the case at bar, "a secret process of manufacture."

In determining this case, it must be borne in mind that the injunctions granted by the trial Court prevented the appellees from having their counsel aided and assisted by expert witnesses; that the appellees have stated, under oath, that they were unable to confer with their counsel in such manner as to give to him the proper aid and assistance to enable him to intelligently present their case to the trial Court; and that the order of that Court prevented the appellees from putting on the stand, in refutation of the statements which will be made by the appellants' witnesses, competent counter testimony.

The appellees contend that by virtue of the injunctions granted against them, they were deprived of their rights to refute and destroy the cause presented against them, by competent testimony.

JOHN G. JOHNSON,
FRANK SMITH,
For Appellees.

E. I. DU PONT DE NEMOURS POWDER COMPANY ET AL. *v.* MASLAND ET AL.

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

No. 210. Argued May 4, 1917.—Decided May 21, 1917.

In a suit to enjoin defendant from using or disclosing secret processes of plaintiff's business, defendant, while in effect conceding that he learned them through his former confidential employment by plaintiff, denied that they were secret and insisted on his right to use them as processes well known to the trade and to reveal them to expert witnesses in making his defense. *Held*, that, during the taking of proofs, defendant might properly be enjoined from disclosing the

processes to experts or other witnesses, the restraint not extending to his own counsel, and that the trial judge in his discretion might reveal them to such persons, at such times, and under such precautions as he might deem necessary in the progress of the case.

In such a case the right of the defendant to make a full defense is limited by his duty to abstain from any fraudulent abuse of the trust which was reposed in him by the plaintiff.

The word "property," as applied to trade-marks and trade secrets, is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith.

224 Fed. Rep. 689, reversed.

THE case is stated in the opinion.

Mr. Edwin J. Prindle, with whom *Mr. Warren H. Small*, *Mr. John P. Laffey* and *Mr. Kenneth S. Neal* were on the brief, for petitioners.

Mr. George Wharton Pepper, with whom *Mr. John G. Johnson* and *Mr. Frank Smith* were on the brief, for respondents.

MR. JUSTICE HOLMES delivered the opinion of the court.

This is a bill to prevent the defendant Walter E. Masland from using or disclosing secret processes the knowledge of which was acquired by the defendant while in the plaintiffs' employ. The defendant admits that he intends to manufacture artificial leather, to which some of the plaintiffs' alleged secret processes relate, but denies that he intends to use any inventions, trade secrets, or secret processes of the plaintiffs that he may have learned in any confidential relation, prefacing his denial, however, with the averment that many of the things claimed by the plaintiffs are well known to the trade. A preliminary injunction was refused at first. 216 Fed. Rep. 271. But before the final hearing the defendant proposed to employ

one or more experts and to make such disclosures to them as the preparation of the defence might require. Thereupon the District Court issued a preliminary injunction against disclosing any of the plaintiffs' alleged processes to experts or witnesses during the taking of proofs, but excepting counsel, with leave to move to dissolve the injunction if occasion to consult experts arose. Later a motion to dissolve was denied and the hearing was continued for a decision by the Appellate Court. 222 Fed. Rep. 340. The Circuit Court of Appeals reversed the decree. 224 Fed. Rep. 689. Before any further order was entered the writ of certiorari was granted by this court.

The case has been considered as presenting a conflict between a right of property and a right to make a full defence, and it is said that if the disclosure is forbidden to one who denies that there is a trade secret, the merits of his defence are adjudged against him before he has a chance to be heard or to prove his case. We approach the question somewhat differently. The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs' secrets he must take the burden with the good.

The injunction asked by the plaintiffs forbade only the disclosure of processes claimed by them, including the disclosure to experts or witnesses produced during the taking of proofs—but excepting the defendant's counsel. Some broader and ambiguous words that crept into the decree, seemingly by mistake, may be taken as stricken out and left on one side. This injunction would not prevent the defendant from directing questions that should bring out whatever public facts were nearest to the alleged secrets. Indeed it is hard to see why it does not leave the plaintiffs' rights somewhat illusory. No very clear ground as yet has been shown for going further. But the judge who tries the case will know the secrets, and if in his opinion and discretion it should be advisable and necessary to take in others, nothing will prevent his doing so. It will be understood that if, in the opinion of the trial judge, it is or should become necessary to reveal the secrets to others it will rest in the judge's discretion to determine whether, to whom, and under what precautions, the revelation should be made.

Decree reversed and case remanded for further proceedings in conformity with this opinion.